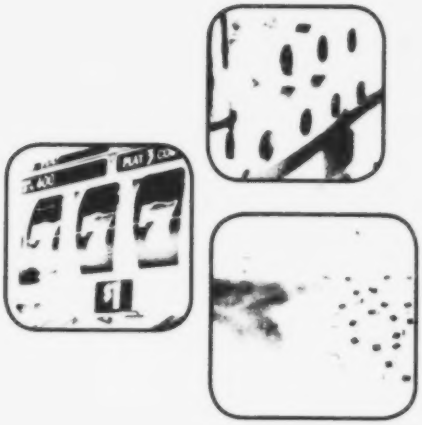

Annual Report

Alberta Gaming and Liquor Commission

2007-08

AGLC
Alberta Gaming and Liquor Commission

ALBERTA
LOTTERY FUND

A Crown commercial enterprise, the Alberta Gaming and Liquor Commission (AGLC) is an agent of the Government of Alberta and operates under the *Gaming and Liquor Act*.

Our structure includes:

- A seven-member Board that reports through the Chairperson to the Minister responsible for the *Gaming and Liquor Act*, and
- Eight divisions that manage the day-to-day operations of the organization.

The AGLC Board develops policy, conducts hearings, and makes licensing and registration decisions to ensure that Alberta's liquor and gaming industries are well regulated and well managed to benefit the people of the province. It also ensures the powers and duties of the commission are appropriately carried out through the Chief Executive Officer.

The Chief Executive Officer of the AGLC reports to the Board.

The AGLC's role is to administer the *Gaming and Liquor Act*, Regulation and related policy. The AGLC is responsible for regulating Alberta's charitable gaming activities and conducting and managing provincial gaming activities. It also controls the manufacture, importation, sale, purchase, possession, storage, transportation, use and consumption of liquor in Alberta.

The Solicitor General and Minister of Public Security is responsible for the *Gaming and Liquor Act*.

Our Guiding Principles

- The integrity of gaming and liquor activities will be ensured.
- Gaming and liquor policies will reflect a commitment to social responsibility.
- Gaming and liquor policies will be supported by sound research and consultation with the public and stakeholders.
- The collection and use of gaming and liquor revenue will be open and accountable.
- Gaming activities will meet standards of quality to protect the integrity of gaming activities, provide gaming entertainment value to consumers and help keep gaming dollars in Alberta.
- Alberta's liquor industry will continue to be among the most progressive and competitive in the country and will continue to lead the nation in terms of supply, distribution, pricing and customer service.
- The financial return to eligible groups from charitable gaming and from provincial lotteries is to be maximized for the benefit of Albertans.

Our Values

- Act with integrity and in a fair and impartial manner.
- Balance social responsibility and economic benefit.
- Foster clear, open and courteous communications with stakeholders.
- Achieve excellence in customer service.
- Nurture a working environment that is characterized by teamwork, collaboration, and open communication.
- Embrace innovation and continuous improvement in our products, services, and business processes.
- Serve as responsible stewards of assets entrusted to us, maintaining our accountability to the Province of Alberta.

Our Mission

To ensure that gaming and liquor activities in Alberta are conducted with integrity and social responsibility and to maximize long-term economic benefits for Albertans.

Our Vision

We strive to balance choice with social responsibility and provide opportunities for competition and enhanced service in Alberta's gaming and liquor industries.

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Year at a Glance

Financial Highlights

Net Operating Results for 2007-08 were almost $2.3 billion. $1.6 billion was distributed to the Alberta Lottery Fund and almost $700 million was distributed to the General Revenue Fund.

($ millions)	2007-08	2006-07	2005-06	2004-05	2003-04
Gross Sales	$ 28,296	$ 26,165	$ 23,683	$ 21,966	$ 18,328
Gross Profit					
Liquor	680	662	603	570	559
VLTs	703	735	695	635	577
Slot Machines	840	699	606	549	479
Electronic Bingo	9	8	6	5	3
Ticket Lottery	231	227	205	183	172
Other Revenue	20	18	13	13	13
Operating Expenses	(190)	(157)	(142)	(129)	(121)
Net Operating Results	$ 2,293	$ 2,192	$ 1,986	$ 1,826	$ 1,682

Charitable Gaming Proceeds

The AGLC regulates charitable gaming in the province. Except for licensing and registration fees, proceeds (revenues less expenses) go directly to the charities that conduct the events.

($ millions)	2007-08	2006-07	2005-06	2004-05	2003-04
Casinos	$ 244	$ 198	$ 172	$ 147	$ 133
Raffles	48[1]	34[2]	34[2]	42[2]	39[2]
Bingos	26[3]	30[3]	35[3]	41[3]	44[3]
Pull-Tickets	7[4]	8[4]	7[4]	8[4]	10[4]
Total Proceeds	$ 325	$ 270	$ 248	$ 238	$ 226

1 Includes prior year information for raffles with gross sales over $10,000 and current year information for raffles with gross sales under $10,000.
2 Includes prior year information for raffles with gross sales over $10,000. Does not include raffles with gross sales under $10,000.
3 Includes current year information for bingo events conducted at licensed bingo facilities and prior year data for bingo events conducted at community bingo facilities. Does not include community bingos with gross sales under $2,500.
4 Includes prior year information.

Proceeds to the Alberta Lottery Fund

	2007-08	2006-07	2005-06	2004-05	2003-04
Transfer to the Alberta Lottery Fund	$ 1,615	$ 1,534	$ 1,389	$ 1,260	$ 1,125

Liquor

	2007-08	2006-07	2005-06
Liquor licences by class			
Class A (open to the public)	5,037	5,085	5,160
Class B (facilities where people pay an entrance fee or buy a ticket)	507	500	495
Class C (private clubs)	782	780	783
Class D (retail outlets that sell liquor for off-premises consumption)	1,800	1,769	1,743
Class E (liquor manufacturers)	20	20	20
Private retail liquor stores (included in Class D above)	1,098	1,056	1,027
General merchandise liquor stores (included in Class D above)	89	88	94
Liquor products available	14,411	13,455	12,965
Liquor sales by volume (in hectolitres)			
Spirits	251,898	243,505	223,546
Wine	308,240	288,445	260,400
Coolers and cider	150,295	146,765	133,886
Beer	2,662,062	2,643,122	2,447,587
Total Volume	3,372,495	3,321,837	3,065,419

Gaming

	2007-08	2006-07	2005-06
Gaming venues			
Association bingo facilities	40	43	46
Private Operator bingo facilities	2	1	1
Total licensed bingo facilities	42	44	47
Traditional casinos	19	18	17
First Nations casinos	4	1	0
Total charitable casino facilities	23	19	17
Racing Entertainment Centres (RECs)	3	3	3
Ticket lottery centres	2,342	2,310	2,280
VLT retailers and video gaming entertainment centres	1,051	1,060	1,079
Charitable gaming licences issued			
Bingo	1,027	1,265	1,262
Casino	3,424	3,259	2,904
Pull ticket	198	295	228
Raffle[1]	290	296	327
Total Charitable Gaming Licences Issued	4,939	5,115	4,721

1 Does not include raffles under $10,000.

Highlights

New Chairperson, Chief Executive Officer, and Board Members Appointed

December 2007 saw a change in leadership at the AGLC, following the retirements of Julian Nowicki, former Chairman of the Board, and Norman Peterson, former Chief Executive Officer (CEO). The Hon. Marguerite Trussler was appointed Chairperson of the AGLC Board and Gerry McLennan was appointed CEO of the AGLC.

Jim Hansen and Ross Goldsworthy also joined the AGLC Board as members in November 2007, replacing George Russill and Patricia Whiting.

ProTect Security Staff Training

The ProTect Security Staff Training program was launched in February 2008. Specifically designed for individuals whose job responsibilities include controlling access to licensed premises, checking for proper proof of age, crowd control, and monitoring and intervening to prevent aggressive actions. ProTect provides security staff with the knowledge and the skills to ensure safer licensed premises and events, safer communities and improved management for the liquor industry.

The training focuses on reducing the risk of violence and liability by helping participants improve their observation and communication skills, preparing them to better prevent, defuse, and manage customer disturbances.

Cage Your Rage: A Campaign to Reduce Bar Violence

A two month advertising campaign titled "Cage Your Rage" was implemented in the Summer of 2007. The campaign was aimed at discouraging young males (aged 18-24) from fighting when drinking at bars and nightclubs. Radio advertisements, movie theatre advertisements and posters in bars and liquor stores imitated fight promotions and presented a variety of scenarios that could occur in bars and nightclubs that could potentially lead to violent situations.

New Liquor Warehousing and Distribution Fee Structure Approved

A new rate structure for liquor agents, suppliers and retailers was approved in July 2007. The new rates reflect activity-based costing and represent the applicable costs of providing warehousing and distribution services to the liquor industry.

The development of the new, more detailed rate structure was one of the recommendations stemming from the 2006-07 Liquor Supply Chain Review. The report is available at **www.aglc.gov.ab.ca**.

Responsible Gambling Awareness Week

Alberta's first Responsible Gambling Awareness week was held October 22-28, 2007. In partnership with the Alberta Alcohol and Drug Abuse Commission (AADAC), the AGLC provides awareness and intervention training for gambling operators and retailers. The Responsible Gambling Awareness week is one way to recognize and encourage this co-operative effort.

Responsible Gambling Information Centres (RGICs) and Player Awareness Terminals (PATs)

Five new Responsible Gambling Information Centres (RGICs) were opened in 2007-08, bringing the total number to eight. RGICs will be opened in all Alberta casinos by 2010. RGICs are staffed by a trained Responsible Gambling Consultant who educates interested Albertans about the cost of play, house advantage, and the Voluntary Self-Exclusion Program.

Player Awareness Terminals (PATs) were successfully trialled in 2007-08, and will be installed in all RGICs in 2008-09. PATs feature a series of interactive screens that offer a gaming behaviour self-test as well as information dispelling myths, and tips to gamblers on how to develop safe and personal responsible gambling guidelines.

New Casinos Open in Alberta

To ensure the integrity of the gaming industry, the AGLC works closely with applicants who are seeking new gaming facility licences. In 2007-08, one new traditional casino and three new First Nations casinos opened.

The Camrose Casino and Resort opened in June 2007. Casino Dene opened on the Cold Lake First Nations in September 2007. In December 2007, the Grey Eagle Casino opened on the Tsuu T'ina Nation, just outside of Calgary. The Eagle River Casino and Travel Plaza opened in January 2008 and is located on the Alexis Nakota Sioux Nation, just outside of Whitecourt.

Lottery Ticket Integrity

Concerns with the integrity of lottery prize claims in other provinces prompted the AGLC, together with the Western Canada Lottery Corporation (WCLC), to initiate a Third Party Review of the WCLC's operations. The review found no evidence of significant concerns with the WCLC's prize claim processes. However, to enhance integrity, the AGLC installed new lottery ticket terminals, customer display units (CDUs), and self-serve ticket checkers across the province.

In August 2007, the AGLC began requiring all customers to sign the back of their lottery ticket prior to the ticket being validated. On April 1, 2008, the following policies were added:

- A "tear and return" policy which requires retailers to return all tickets to customers after they are validated;
- All new lottery ticket retailers must complete a criminal record check prior to receiving a lottery terminal;
- A lottery ticket retailer audit program has been launched which checks that retailers are complying with policies and procedures;
- A new code of conduct was introduced, which outlines the AGLC's expectations for retailer conduct; and
- A new progressive discipline program was launched for non-compliant retailers.

The AGLC has a Hotline for all customer lottery ticket complaints (1-800-561-4415). All complaints are investigated.

Ticket In/Ticket Out

Coin-less slot machines (called TITO — Ticket In/Ticket Out) required the upgrade and/or replacement of machines in all Alberta casinos and Racing Entertainment Centres (RECs). The project took 24 months to complete with the final installation occurring on March 20, 2008. Standardized cash management practices, to enhance gaming integrity, were introduced in conjunction with the new coin-less slot machines. The TITO technology also benefits players in a number of ways. For example, players do not need to handle buckets of coins or wait as slot machines are serviced when they run out of coins.

Message from the Chairperson

It is with pleasure that I write my first message as the new Chairperson of the Alberta Gaming and Liquor Commission (AGLC). Since December 2007, I have had the opportunity to work with the AGLC Board and management to ensure the gaming and liquor industries in Alberta operate effectively, with integrity, and in a socially responsible manner for the long-term economic benefit of Albertans.

During the 2007-08 fiscal year, the AGLC experienced many changes. In July 2007, Norman C. Peterson retired as Chief Executive Officer (CEO) and Gerry McLennan was later appointed to that position. The Board itself experienced a number of changes, with the retirement of Julian Nowicki as Chairman in November 2007. George Russill and Patricia Whiting, two Board members, also completed their terms. The Board later welcomed Ross Goldsworthy and Jim Hansen as new members.

I would like to thank those individuals who retired for their many contributions and dedication to the AGLC. The AGLC Board will build on their achievements by continuing to pursue a gold standard in governance. Together with management, the Board will ensure the AGLC continues to achieve desired results in a conscientious and accountable manner.

Effective Board governance is crucial to achieving the AGLC's goal of ensuring the gaming and liquor industries benefit Albertans. In 2007-08, the Board began reviewing the processes that were developed over the previous three years to ensure they meet the Board's needs. Additionally, the Board and management of the AGLC began reviewing their processes to ensure the seamless sharing of information.

In 2007-08, the AGLC completed its ninth strategic planning cycle. This award-winning process is guided by the vision, mission and values of the AGLC and ensures business and operational planning, performance measurement and risk management are encompassed throughout the organization. Through this process, the AGLC continuously strives to improve customer service, products, and operational excellence.

The following pages will provide examples of how the AGLC works every day to be leaders in the gaming and liquor industries. The AGLC had many notable successes in 2007-08 including:

- the implementation of initiatives designed to improve the safety of patrons in and around licensed premises, including ProTect security staff training (see page 27) and the Cage your Rage campaign (see page 29);
- the successful launch of Alberta's first Responsible Gambling Awareness Week (see page 38); and
- the completion of the Ticket In/Ticket Out conversion (see page 48).

The 2007-08 year also saw the establishment of a new liquor warehousing and distribution fee structure (see page 31).

Revenue from the gaming and liquor industries continued to make an important contribution to the well-being of the province. Virtually every Alberta community has benefited from grants received through the Alberta Lottery Fund. In 2007-08, charitable and religious organizations raised approximately $325 million through licensed gaming activities under Alberta's unique charitable gaming model (see page 2).

2008-09 promises to be another exciting year. I look forward to working with management and staff of the AGLC in the coming year to address upcoming challenges and opportunities. In 2008-09, the AGLC will:

- improve the safety in Alberta's licensed liquor premises by introducing new policies, regulations and fines, and by hiring additional inspectors;
- begin implementation of long-term strategies resulting from the 2006-07 Liquor Supply Chain review;
- open additional Responsible Gambling Information Centres (RGICs) in Alberta casinos and racing entertainment centres; and
- implement new policies and procedures to further enhance the integrity of the ticket lottery industry.

In closing, I would like to thank all AGLC employees for their valued contributions, support and dedication in the face of the many challenges and opportunities that occurred in 2007-08. It is through their combined efforts that the AGLC achieved another successful year.

Original signed by

Marguerite Trussler,
Chairperson

The AGLC Board

(left to right)
Guy Mathieu,
Ross Goldsworthy,
Jim Hansen,
Marguerite Trussler,
Sandy Dougall,
Lynn Faulder,
Al Evans.

The responsibilities of the AGLC Board are set out in Section 12 of the *Gaming and Liquor Act*.

These responsibilities include:

- Ensuring that the powers and duties of the AGLC are appropriately carried out;
- Establishing the policies of the AGLC; and
- Conducting hearings and making decisions respecting licences and registrations.

Specifically, the Board of the AGLC has three major areas of responsibility in its governance role for the Corporation:

- Policy responsibilities;
- Regulatory responsibilities, as exercised through Administrative Tribunals; and
- Monitoring responsibilities.

Policy Responsibilities. The Board plays a significant role in developing policy and advising the Solicitor General and Minister of Public Security on policy matters. The Board is engaged early in the process of policy development both through the strategic planning process and through consultation with stakeholders and partners. The Board may receive policy direction from the Minister responsible for the AGLC and, in turn, provide policy recommendations to the Minister.

Regulatory Responsibilities. The Board's regulatory responsibilities are prescribed by legislation. In its regulatory role, the Board of the AGLC functions as an Administrative Tribunal. Within the limits of its legislative jurisdiction, the Board conducts hearings, develops and applies policies and rules, and makes decisions on gaming and liquor licences and registrations.

When conducting hearings, the Board of the AGLC has the powers, privileges and immunities of a commissioner under the Public Inquiries Act. As a result, the Board may hold an inquiry into any matter related to the *Gaming and Liquor Act*.

Monitoring Responsibilities. In its monitoring responsibilities, the Board of the AGLC is primarily concerned with ensuring that management performs its duties. The Board ensures that appropriate monitoring and control systems are also in place to ensure the integrity of financial reports. The primary vehicle for performing this function is the Board's Audit Committee.

In addition, the Board of the AGLC oversees and monitors the administration of the AGLC by the Chief Executive Officer (CEO). The CEO ensures that policies of the Board are implemented and advises and informs the Board on the operating affairs of the AGLC.

The Board of the AGLC has also established an office of Internal Audit that operates under a mandate approved by the Audit Committee. The independence of the Internal Audit office is assured since the Audit Committee has the responsibility for the hiring, compensation and performance reviews of the Director. The Audit Committee also has a direct relationship with the Auditor General for the Province of Alberta.

Board Sub-Committees. Three sub-committees assist the Board with its policy, regulatory, and monitoring responsibilities: the Audit Committee, the Corporate Governance and Stakeholders Committee and the Finance Committee.

The Audit Committee is responsible for monitoring the AGLC's financial controls, financial reporting and disclosure, as well as monitoring organizational risks and control processes. The committee successfully completed all duties assigned to it during 2007-08.

The Corporate Governance and Stakeholders Committee is responsible for establishing, monitoring and reviewing the Board's corporate governance processes and establishing a process for monitoring the relations of the AGLC and the Board and their many stakeholder groups and partners. The committee reviews and recommends the approval of all good corporate governance practices, the Code of Conduct and Ethics which guide Board members in making fair, effective, and impartial decisions.

The Finance Committee monitors the AGLC's budget and business and strategic planning processes, ensuring that the budget and business plan reflect the policies, objectives, and initiatives approved by the Board. The committee monitors the financial health of the AGLC and its performance and reviews and recommends approval of the AGLC's annual budget which is approved by the Board.

Members of the Board

Hon. Marguerite Trussler, Chairperson

The Hon. Marguerite Trussler was appointed Chairperson of the AGLC on December 12, 2007.

Formerly a Justice of the Court of Queen's Bench of Alberta, Ms. Trussler has extensive board experience, having served recently as Chairperson of the Court of Queen's Bench Family Law Committee, as a member of the Editorial Board, Canadian Bar Review and as President of the International Association of Women Judges.

With both her professional and community activities, Ms. Trussler demonstrates a strong commitment to community and family. She currently serves as Chairperson of the Provincial AIDS Advisory Committee and Chairperson of the Victoria School Foundation for the Arts.

Alexander (Sandy) Dougall

Sandy Dougall was appointed to the Board of the AGLC in October 2002 and has served as Chair of the Board's Audit Committee since 2003.

Born and educated in Scotland, where he launched his banking career, Sandy held a variety of senior management positions in retail and business banking throughout Alberta.

He now divides his time between working as a consultant and volunteering with community and non-profit organizations. He is also an active member of the Canmore Rotary Club.

Sandy served on the Calgary Health Region Board of Directors from 1998 to 2008.

Alexander (Al) Evans

Al Evans was appointed to the Board of the AGLC in October 2002. He served on the Board's Audit Committee from January 2003 to November 2007 and is currently Chair of the Board's Finance Committee. Al has been a member of the Board of the Western Canada Lottery Corporation (WCLC) since June 2004 and has been Chair of the WCLC Board since June 2007. He has also been a member of the Inter-provincial Lottery Corporation since October 2004.

Effective June 1, 2006 Al was appointed a member of the Board of the Alberta Foundation of Administrative Justice.

He has a strong background in management accounting and has completed various courses in project management and corporate and public supervisory management. He holds a certificate in automotive technology from the Southern Alberta Institute of Technology and is a Dale Carnegie graduate.

Before retiring, Al spent 34 years in the petroleum industry, 14 years of which were spent as a senior financial coordinator for a major oil company.

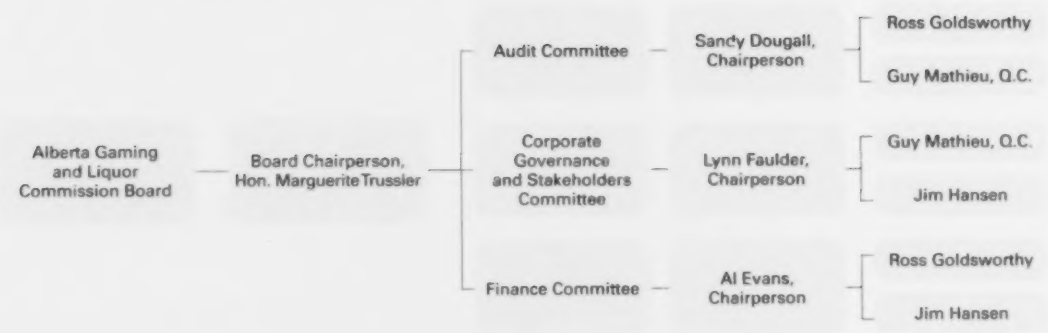
Lynn Faulder

Lynn Faulder was appointed to the Board of the AGLC in November 2003. She is currently the Chairperson of the Board's Corporate Governance and Stakeholders Committee. She previously served a 2-year term on the Board's Audit Committee.

Lynn chairs the Edmonton Appeal Panel for the Assured Income for the Severely Handicapped, Widows' Pension, and Aids to Daily Living programs. She is a member of the roster of public members appointed to hear appeals and conduct Hearings under the *Health Professionals Act*.

Lynn is a graduate of the Institute of Corporate Directors.

She is a former director of the Royal Alexandra Hospital Foundation and has held executive positions with the Edmonton Federation of Community Leagues. Lynn holds a nursing diploma and has worked as a surgical staff nurse.



Guy Mathieu, Q.C.

Guy Mathieu was appointed to the Board of the AGLC in May 2005. He was appointed to the Board's Audit Committee in November 2005 and is a member of the Corporate Governance and Stakeholders Committee.

Guy is a retired lawyer. Prior to his retirement he was a senior partner in the largest law firm in the Peace River region.

He is an active member of the Mighty Peace Petroleum Association, the Chamber of Commerce, the Peace River Rotary Club and the Knights of Columbus, among others.

Ross Goldsworthy

Ross Goldsworthy was appointed to the Board of the AGLC in November 2007. He is a member of both the Audit and Finance Committee.

Over the past 25 years, Ross has held increasingly senior positions within the transportation industry and holds both a Certified General Accountant designation (Alberta) and a Certified Public Accountant designation (Delaware).

He is President of his own logistics consulting firm. He holds a Certificate in Conflict Resolution and sits on the board of the Alberta Arbitration and Mediation Society. He is also currently an active member of the Calgary Community Mediation Association.

Ross was appointed to the Alberta Justice Provincial Court Civil Mediation Roster and as a board member of the Credit Union Deposit Guarantee Corporation.

Jim Hansen

In his 20 years as President and CEO of the Alberta Hotel and Lodging Association (AHLA), Jim Hansen was a leader in Alberta's hospitality industry, experience that serves him well in his November 2007 appointment to the AGLC Board. During his years with the AHLA, he worked with the AGLC on a number of initiatives, including the development of the *Alberta Server Intervention Program*.

Jim has used his good business sense and knowledge of Alberta's hospitality industry to develop and publish many far-reaching programs, including accommodation rating programs such as *Canada* and *Camping Select*, Alberta's official *Accommodation* and *Campground* guides, *ExploreAlberta.com*, and *Access Alberta*.

Jim is a former director of the Tourism Coalition of Alberta and the Alberta Liquor Industry Roundtable. He has held executive positions with the Hotel Association of Canada, Edmonton Regional Airports Authority and the Leduc Nisku Economic Development Authority, the Leduc and District Chamber of Commerce and is currently an active member of the Leduc Lions Club.

Message from the Chief Executive Officer

The Alberta Gaming and Liquor Commission (AGLC) is committed to ensuring integrity and social responsibility in the gaming and liquor industries. In my first year as Chief Executive Officer, I am pleased to report another successful year for the AGLC, and the gaming and liquor industries in Alberta. This success has enabled the generation of ongoing benefits for the people of Alberta.

In 2007-08, the AGLC reached new milestones in revenue provided to the Alberta Lottery Fund, Alberta charities and to the provincial General Revenue Fund:

- Over $1.6 billion was transferred to the Alberta Lottery Fund from the proceeds of electronic gaming and lottery ticket sales.
- Alberta charities earned $325 million from casino table games, pull-tickets, raffles, and bingo events.
- An additional $678 million was transferred to the General Revenue Fund from provincial liquor mark-up, liquor licensing fees, and registration fees.

Over the past year, a number of key achievements were reached, including:

- the successful launch of the ProTect Security Staff Training Program (see page 27);
- the resolution of liquor supply chain issues experienced in Alberta during 2006-07 due to a number of actions undertaken by the AGLC (see page 31);
- the opening of five additional Responsible Gambling Information Centres (RGICs) bringing the total number of centres to eight (see page 40);
- the successful trial of the new Player Awareness Terminal (PAT). PATs will be installed into all RGICs in the coming year (see page 40);
- Alberta's first Responsible Gambling Awareness Week was held in October 2007 (see page 38);
- all slot machines were converted to coinless slot machines (Ticket In/Ticket Out) between 2006 and 2008. The conversion was completed in March 2008 (see page 48);
- to enhance ticket lottery integrity, the AGLC installed new lottery ticket terminals, customer display units (CDUs), and self-serve ticket checkers across the province (see page 48); and
- four new casinos opened across the provinc (see page 41).

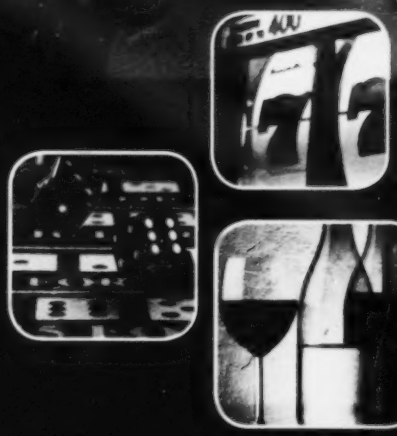
The AGLC continues to balance choice and social responsibility, ensuring the controlled and responsible growth of the gaming and liquor industries in Alberta. Integrity is ensured through the conduct of inspections and audits which ensure compliance with provincial laws. In 2007-08, the AGLC completed 27,195 inspections of licensed liquor premises and 4,888 inspections of licensed gaming facilities and events.

I am proud of the AGLC's commitment to strive for excellence and implement innovative practices as we ensure integrity and social responsibility in the gaming and liquor industries.

Our employees make the AGLC – their hard work and dedication directly contributes to the AGLC's achievements each year. I would like to personally congratulate and thank each and every employee for a job well done and I look forward to another exciting and challenging year in 2008-09.

Original signed by

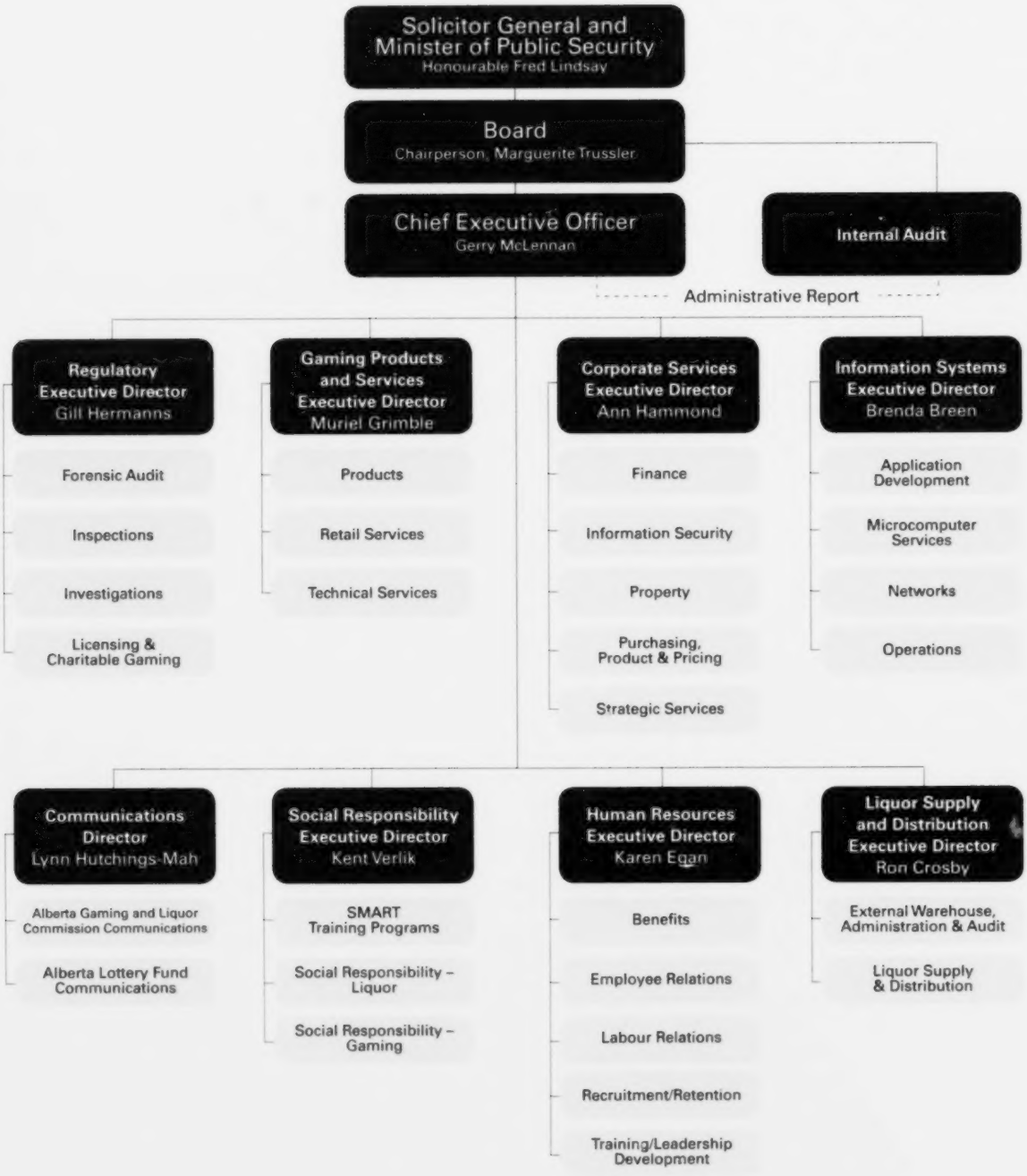
Gerry McLennan
Chief Executive Officer



Who We Are and What We Do

2007-08

ORGANIZATION CHART



OUR PURPOSE AND STRUCTURE

Executive Team
(left to right)
**Ron Crosby,
Lynn Hutchings-Mah,
Karen Egan,
Gerry McLennan,
Ann Hammond,
Gill Hermanns,
Muriel Grimble,
Brenda Breen,
Kent Verlik.**

The AGLC operates under the authority of the *Gaming and Liquor Act* and reports to the Solicitor General and Minister of Public Security. Our structure includes:

- A seven-member Board that is appointed by the government and reports, through the Chairperson, to the Minister.
- Eight divisions that manage the day-to-day operations of the organization. The Chief Executive Officer of the AGLC reports to the Board. This structure ensures that policy implementation is consistent and that operations run seamlessly and efficiently.

The AGLC's role is to administer the *Gaming and Liquor Act*, Regulation and related policy. The AGLC is responsible for regulating Alberta's charitable gaming activities and conducting and managing provincial gaming activities. It also controls the manufacture, importation, sale, purchase, possession, storage, transportation, use and consumption of liquor in Alberta.

The AGLC manages and controls the growth of Alberta's gaming and liquor industries responsibly and with integrity. This means all industry players compete on a level playing field where the rules are fair, clear and consistently applied. It means that sound policy and effective regulation work hand in hand with monitoring and enforcement. It means a commitment to working in partnership with charities and private businesses to deliver high quality services to the public. And it means a commitment to excellence, openness and accountability.

Through all its activities, the AGLC generates revenue for the province and the people of Alberta. It contributes to the growth of Alberta's economy, the prosperity of its communities, and well-being and quality of life for its citizens.

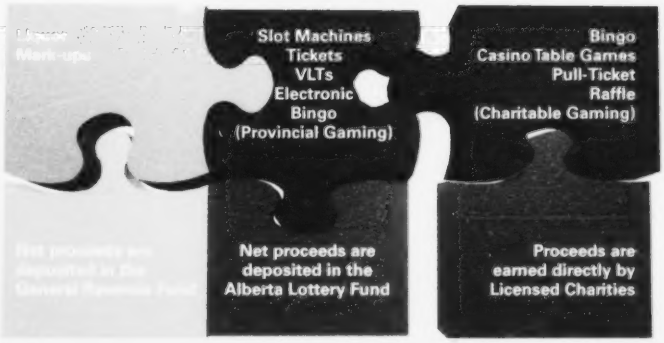
- While the AGLC works hard to maximize the long-term economic benefits of liquor and gaming, it takes its social responsibilities just as seriously. The AGLC sponsors education and awareness programs – for the public, for AGLC staff, and for industry staff. It supports research about gambling and addictions. It's a partner in the province's beverage container recycling program. And perhaps most importantly – it ensures that its operations, policies and programs reflect the values of Albertans.
- Albertans have the right to make choices and take responsibility for their own affairs. The AGLC provides Albertans with a wide range of gaming entertainment options as well as information to help people make informed decisions. It provides gaming and liquor products in secure, licensed venues. It works hard to protect minors, and it respects the rights of communities to make decisions that reflect local interests.

In all its decisions, the AGLC maintains integrity and weighs social responsibility against Albertans' right to personal choice and against the economic benefits generated by liquor and gaming.

Who We Are and What We Do

Flows of Funds

The AGLC enables charitable and religious groups to raise funds through licensed charitable gaming events. In 2007-08, participating organizations received $325 million for their worthwhile programs and projects. In addition, the AGLC generates revenue for the Alberta Lottery Fund through conducting and managing provincial gaming activities and for the General Revenue Fund by collecting mark-ups on liquor products sold in Alberta. These activities are all conducted under the umbrella of integrity, social responsibility, and the right to personal choice.



Chief Executive Officer

The Chief Executive Officer (CEO) is responsible for the overall operations of the AGLC, as set out in Section 18(2) of the *Gaming and Liquor Act*.

The Administration

The eight divisions within the AGLC include 821 employees located in St. Albert (the head office), Calgary, Grande Prairie, Lethbridge, Red Deer, and Stettler. The divisions are:

- Communications
- Corporate Services
- Gaming Products and Services
- Human Resources
- Information Systems
- Liquor Supply and Distribution
- Regulatory
- Social Responsibility

Did You Know?

2007-08 marked the 5th anniversary of the opening of the AGLC's Lethbridge Office.

Communications

The Communications Division supports the AGLC's commitment to communicating with employees and external stakeholders on key business activities and initiatives. It also provides Albertans and key stakeholder groups with up-to-date information on AGLC programs and initiatives through a variety of communications vehicles including websites, news releases, and fact sheets. The Communications Division acts as the AGLC liaison and spokesperson with local, provincial, and national media and monitors public opinion to better understand Albertans' expectations and priorities to develop effective AGLC communications strategies. In addition, the division provides Albertans, key stakeholders and media with up-to-date information on the Alberta Lottery Fund.

Corporate Services

The Corporate Services Division ensures the province's share of liquor and gaming proceeds is collected, and administers the flow of funds from the AGLC's safekeeping to the provincial General Revenue Fund and the Alberta Lottery Fund. It analyzes market factors and studies the liquor pricing system to establish the provincial mark-up and the wholesale price for liquor. The Division is also responsible for strategic policy, business planning, performance measurement, financial planning and coordination, and Freedom of Information and Protection of Privacy services for the AGLC. It also manages the AGLC's purchasing and contract system, payroll and payment processes, property management, and information security.

Giving Back to the Community *In 2007, AGLC employees raised a record $44,459 for the United Way of the Capital Region and received a Bronze Award from the United Way for their efforts.*

Gaming Products and Services

The Gaming Products and Services Division manages the province's provincial gaming activities, retail gaming networks and the electronic gaming product mix. The Technical Services Branch provides on-site technical support to ensure the province's electronic gaming equipment is kept in good repair. The Products Branch is responsible for managing and maintaining thoroughly tested, properly functioning, state-of-the-art equipment for Alberta's gaming industry. The Retail Services Branch supports the province's gaming retailers and provides the posters, product information and signage that retailers need for their operations. It also operates the AGLC's Hotline, where gaming retailers can phone for information or get help if they have trouble with their equipment.

Human Resources

The Human Resources Division plans, develops and delivers all human resource programs, policies and practices for the AGLC and promotes the alignment of strategic human resource initiatives with business goals. The Division manages the delivery of human resource services in the areas of staffing, job evaluation, employee relations, workplace health, performance management, employee recognition, attraction, retention initiatives and collective bargaining.

Did You Know? *Almost one quarter of AGLC employees have been employed by the AGLC for over 15 years!*

Information Systems

The Information Systems Division consists of four branches. The Application Development and Support Branch develops and maintains specialized computer applications that keep the AGLC's day-to-day business on track. The Operations Branch monitors and provides disaster recovery services for the specialized electronic gaming systems that track the minute-by-minute operations of video lottery terminals, slot machines and electronic bingo devices. The Network Services Branch manages a "wide area" telecommunications network that securely connects the AGLC's data centre with more than 1,100 gaming facilities across Alberta. The Microcomputer Services Branch manages a secure network of computers, printers and servers in all of the AGLC's corporate offices, at liquor warehouses and at gaming facilities.

Liquor Supply and Distribution

The Liquor Supply and Distribution Division monitors and manages the Liquor Supply Chain ensuring controlled, efficient, and effective supply of liquor products to Albertans. The Division also ensures compliance with customs and excise legislation, revenue collection and inventory control at all Alberta liquor and beer warehouses. Through this Division, the AGLC actively participates in Alberta's beverage container management and operations.

Regulatory

The Regulatory Division consists of four branches. The Licensing and Charitable Gaming Branch is directly involved in every detail of the licensing, registration and reporting processes for Alberta's liquor and gaming operations. The Inspections Branch is responsible for conducting regular, on-site inspections to ensure that liquor licensees, registrants and gaming operations across the province comply with legislation and policy. The Forensic Audit Branch provides ongoing monitoring to maintain the financial integrity of Alberta's gaming industry. The Investigations Branch works with police services and other government ministries to investigate Criminal Code offences related to gaming, liquor, and tobacco in the province.

Social Responsibility

The Social Responsibility Division coordinates the AGLC's social responsibility initiatives to ensure that all gaming and liquor activities are conducted in a socially responsible manner. It leads the design of programs, policies, and strategies that promote healthy choices and the responsible use of gaming and liquor products and delivers these programs in cooperation with the Alberta Alcohol and Drug Abuse Commission (AADAC) and stakeholders in the liquor and gaming industries. The Division is also responsible for the conduct and management of Responsible Gambling Information Centres (RGICs) and a number of industry training programs.

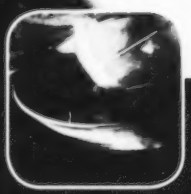
Going Green

To reduce our impact on the environment and to be socially responsible, the AGLC has undertaken a number of green initiatives.

A few highlights from 2007-08 include:

- *Converting all incandescent pot lighting to compact fluorescent lighting, reducing energy consumption by approximately 85 per cent;*
- *Converting all air conditioning units to staged compressors, reducing energy consumption by approximately 20 per cent;*
- *Installing reflective window coverings on all windows to reduce solar gain;*
- *Reducing chemical use in the dishwasher in our cafeteria; and*
- *Running a voluntary recycling program.*

And we're not stopping there! The AGLC has plans to implement many additional changes in the years to come.



The Year in Review

2007-08

REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO PERFORMANCE MEASURES

AUDITOR GENERAL *Alberta*

To the Members of the Alberta Gaming and Liquor Commission

Management is responsible for the integrity and objectivity of the performance results included in the *Alberta Gaming and Liquor Commission's 2007-2008 Annual Report*. My responsibility is to carry out the following specified auditing procedures on performance measures in the annual report. I verified:

Completeness

1. Performance measures and targets matched those included in the Alberta Gaming and Liquor Commission 2007-2010 Business Plan. Actual results are presented for all performance measures.

Reliability

2. Information in reports that originated in the Commission matched information used to calculate the actual results. In addition, I tested the processes used to compile the results.

Comparability and Understandability

3. Actual results are presented clearly and consistently with the stated methodology and are presented on the same basis as targets and prior years' information.

I found no exceptions when I performed these procedures.

As my examination was limited to these procedures, I do not express an opinion on whether the set of measures is relevant and sufficient to assess the performance of the Commission in achieving its goals.

Fred J. Dunn

FCA
Auditor General

Edmonton, Alberta
August 22, 2008

PERFORMANCE MEASURES AT A GLANCE

The AGLC measures and assesses its performance relating to its three core businesses:

1. **License and regulate liquor activities;**
2. **License and regulate charitable gaming activities; and**
3. **Conduct and manage provincial gaming activities.**

The performance measures provide quantifiable information expressed as a percentage to:

- Assess and report on progress and achievement;
- Identify what is working well; and
- Identify areas where performance needs improvement.

Following is a summary of the performance results for 2007-08, compared to the previous four years, where data is available. The AGLC met or exceeded its 2007-08 performance targets for 9 of the 13 measures. The AGLC takes its targets and performance measures seriously and monitors its progress throughout the year. Regular monitoring provides the AGLC with the information it needs to ensure it remains efficient and effective and that the AGLC continues to meet the expectations of Albertans.

01 CORE BUSINESS ONE
License and regulate liquor activities

GOAL ONE
Liquor activities are conducted with integrity and in a socially responsible manner

	2007-08	2006-07	2005-06	2004-05	2003-04
Percentage of liquor licensees who comply with legislation, regulations and policy.	94.5%	95.5%	93.8%	93.3%	Comparative not available
Percentage of Albertans surveyed who are satisfied that liquor is provided in a responsible manner.	93.8%	94.5%	93.1%	93.0%	Comparative not available

GOAL TWO
Liquor licensing activities are effective, efficient and economical

	2007-08	2006-07	2005-06	2004-05	2003-04
Percentage of liquor licences and registrations completed within established timeframes.	100%	100%	100%	99.5%	99.4%
Percentage of liquor industry clients who are satisfied with the level of service provided by the AGLC.	91.0%	83.0%	94.0%	95.0%	94.0%

02 CORE BUSINESS TWO
License and regulate charitable gaming activities

GOAL THREE
Charitable gaming activities are conducted with integrity and in a socially responsible manner

	2007-08	2006-07	2005-06	2004-05	2003-04
Percentage of charitable gaming activities that are conducted in accordance with legislation, regulation and policy.	99.4%	99.4%	99.5%	99.5%	Comparative not available
Percentage of charitable gaming financial reports produced within established timeframes.	96.7%	85.9%	62.3%	Comparative not available	
Percentage of Albertans surveyed who are satisfied that the charitable gaming activity they participated in was provided fairly and in a responsible manner.	95.7%	94.8%	93.9%	94.8%	Comparative not available

GOAL FOUR
Charitable gaming licensing activities are effective, efficient and economical

	2007-08	2006-07	2005-06	2004-05	2003-04
Percentage of charitable gaming licences and registrations completed within established timeframes.	99.7%	99.4%	98.9%	98.9%	98.6%
Percentage of charitable gaming licensees who are satisfied with the level of service provided by the AGLC.	96.0%	94.0%	95.0%	96.0%	97.0%

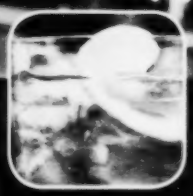
03 CORE BUSINESS THREE
Conduct and manage provincial gaming activities

GOAL FIVE
The availability and delivery of provincial gaming products and activities are balanced with consumer demand, social responsibility, and economic benefit to Albertans

	2007-08	2006-07	2005-06	2004-05	2003-04
Percentage of Albertans satisfied with the availability of gaming products and activities.	74.0%	73.0%	70.0%	72.0%	Not measured
Percentage of Albertans surveyed who are satisfied that the provincial gaming activity they participated in was provided fairly and in a responsible manner.	92.4%	90.8%	90.0%	89.6%	Comparative not available

GOAL SIX
Gaming operations are effective, efficient, economical and conducted with integrity

	2007-08	2006-07	2005-06	2004-05	2003-04
Percentage of retailers satisfied with AGLC services related to VLTs, slot machines and ticket lotteries.	99.0%	98.0%	99.0%	97.0%	98.0%
Percentage of gaming integrity issues resolved within established timeframes.	92.7%	93.1%	90.0%	95.4%	96.2%



Liquor

2007-08

Liquor - Being Responsible

Social responsibility must be shared among government, stakeholders, and patrons and can only be achieved through partnerships and collaborative relationships.

- The AGLC partners with the Alberta Alcohol and Drug Abuse Commission (AADAC) and works closely with liquor stakeholders to develop provincial strategies that promote healthy choices and the responsible use of liquor products.
- We work with national partners and monitor liquor policy development in other jurisdictions. Current issues range from violence in bars, binge drinking, youth drinking and more.
- We are proud of our leadership role in this area.

Here are some of the AGLC's programs and initiatives that deal with these issues:

SMART Training Programs

The AGLC Smart Training Programs are a best-in-class series of competency based courses aimed at educating and informing anyone involved in the gaming and liquor industries about their social responsibilities and duty of care obligations. The AGLC is a national leader in education and training for the responsible service, sale and consumption of alcohol. Proven effective by third-party studies, the AGLC Smart Training programs are designed to help servers and licensees fulfill their social responsibilities and duty of care obligations, raise awareness of problem alcohol behaviours, and reduce the risk of liability.

Training programs for liquor industry workers administered by the AGLC include the Alberta Server Intervention Program (ASIP) and ProTect Security Staff Training.

Responsible Service of Alcohol

The Alberta Server Intervention Program (ASIP) assists individuals involved in selling and serving liquor to the public by educating them about their duty of care responsibilities, Alberta legislation, and AGLC policies. The program raises awareness about the responsible consumption of alcohol, and helps to curb the problems of underage drinking, over consumption, and impaired driving. Now in its fourth year, ASIP continues to promote responsible liquor service in Alberta.

The training program is available through a number of different delivery methods, including online, public seminars, in-house seminars and self-directed programs. To better meet the needs of liquor servers for whom English is not a first language, the ASIP exam has been translated into eight languages: Traditional Chinese, Canadian French, Hindi, Japanese, Korean, Punjabi, Latin American Spanish, and Vietnamese.

ASIP continues to offer a "Train the Trainer" workshop, which is a cost-effective and efficient method by which small business owners and Human Resource managers can provide ASIP training for their employees. These workshops are held several times a year at the AGLC offices in St. Albert and Calgary. All workshops are capped at 15 participants to ensure a quality experience and training. Facilitators of the ASIP program must have a training background and related industry experience. During the 2007-08 fiscal year, 83 licensees participated in the "Train-the-Trainer program". To date, a total of 235 facilitators are approved to deliver ASIP training for employees of licensed establishments and/or the general public.

In total, 29,583 individuals have obtained ASIP training since November 2004.

	2007-08	2006-07
Number of individuals registered on the ASIP website to complete ASIP training	13,676	16,180
Number of individuals who completed ASIP training.	11,614	13,210
Number of individuals grandfathered from the "It's Good Business" and "Techniques in Alcohol Management" programs who became ASIP certified.	25	258

ASIP Training for Non-Profit Groups

The Class C licence category is predominately comprised of non-profit and volunteer service groups in which the premises are restricted to members or other specified or allowed individuals (i.e., curling clubs, legions, canteens, travellers' lounges, educational institutions, hospitals and seniors' residences). Community Public Resale Special Event (SE) licences are issued to non-profit or volunteer organizations or municipalities hosting a community event, such as a local rodeo. Although ASIP training is not mandatory for these licensees, individuals who work or volunteer at an event where a private special event licence, Class C licence, or SE Licence is in effect are strongly encouraged to complete ASIP training at no cost.

To learn more about server liability and how to identify and manage risks, the AGLC encourages individuals who work under these types of licences to complete ASIP training. The AGLC remains committed to promoting responsible liquor service while still meeting the needs of volunteer organizations.

During the 2007-08 fiscal year, 484 individuals associated with Class C licensees and 293 individuals associated with special event licensees obtained ASIP certification. In total, 774 individuals associated with Class C/SE licensees have completed the ASIP program since April 1, 2007.

ProTect Security Staff Training

In February 2008, the AGLC launched the ProTect Security Staff Training program. The program is specifically designed for individuals whose job responsibilities include controlling access to licensed premises, checking for proper proof of age, crowd control, and monitoring and intervening to prevent aggressive actions.

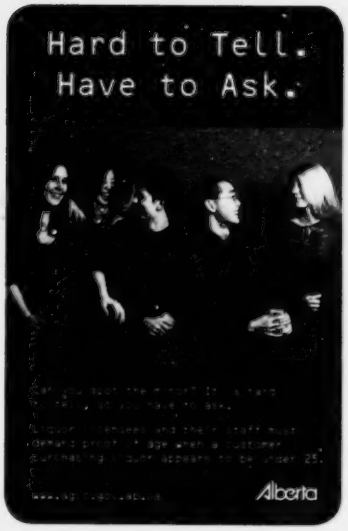
The program, which is delivered in a facilitated seminar, provides security staff with the knowledge and the skills to ensure safer licensed premises and events, safer communities and improved management for the liquor industry. ProTect Security Staff Training focuses on reducing the risk of violence and liability by helping participants improve their observation and communication skills, preparing them to better prevent, defuse, and manage customer disturbances. The ProTect training program is offered to licensees at no cost.

All individuals who work in a security position or manage/supervise security staff or who own, manage or work for a security company contracted to provide security in bars and nightclubs (Class A Minors Prohibited premises) must successfully complete ProTect Security Staff Training by January 1, 2009. Individuals who work or volunteer in a security position in any other licensed premise or for a special event function are encouraged to take ProTect Security Staff Training, but it is not mandatory.

As of March 31, 2008, 315 individuals had registered into one of the 24 facilitated seminars conducted between February and April 2008.

Liquor - Being Responsible

Under 25 Program



The AGLC takes the issue of minors and liquor very seriously.

The Under 25 Program is an effective way to reduce or prevent situations where proof of age is not requested from those under 18 and they are able to purchase liquor.

To raise awareness of this program among Albertans, the AGLC launched the "Hard to Tell – Have to Ask" campaign in 2003 and continues to run the program annually. The campaign consists of posters and brochures that are distributed to all liquor licensees, and advertisements in newspapers throughout Alberta.

Licensees are monitored to ensure this screening procedure is followed. Those not in compliance are reminded of the policy and its purpose. Repeat offenders are fined or otherwise disciplined.

The AGLC will continue to work with our industry partners to ensure there is compliance with this policy to help prevent minors from obtaining liquor from licensed premises. However, it is the responsibility of every individual in the liquor business to ensure minors are not being served liquor.

The AGLC's increased emphasis on ensuring compliance through the implementation of the awareness program and the enforcement of the policies has been successful for the past four years, as over 80 per cent of establishments requested proof of age.

	2007-08	2006-07	2005-06	2004-05	2003-04
Percentage of liquor serving establishments requesting proof of age from young people	81.0%	87.0%	83.0%	83.0%	67.0%

Alberta Alcohol Strategy Proposal

In September 2006, the National Alcohol Strategy Working Group issued a report that identified 41 recommendations for reducing alcohol-related harm in Canada. The AGLC and AADAC were tasked by their respective Boards to develop a made-in-Alberta strategy to encourage the responsible sale and consumption of liquor in Alberta. The draft strategy builds on best practices that have proven successful in other jurisdictions and complements other provincial programs already in place.

The proposed six priorities of the Alberta Alcohol Strategy are:

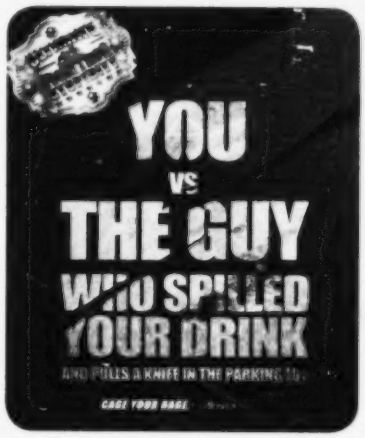
- To promote a culture of moderation regarding liquor;
- To ensure responsible regulation and service of liquor;
- To develop context-specific alcohol policies (for post secondary schools, workplaces, etc);
- To enhance alcohol treatment services;
- To expand harm reduction programs for alcohol; and
- To support the enforcement of alcohol-related crime.

Operator and Regulatory Best Practices Symposium

Following the 2006 Alberta Roundtable on Violence In and Around Licensed Premises, the AGLC and the Solicitor General and Ministry of Public Security hosted an Operator and Regulatory Best Practices Symposium in October 2007. The best practices symposium is the next step in working with stakeholders to continue addressing the recommendations outlined in the Alberta Roundtable on Violence In and Around Licensed Premises Report. Three experts in the field of alcohol-related crime presented their research findings on operator and regulatory best practices from other jurisdictions in the context of the previous Roundtable discussions and recommendations.

Cage Your Rage: A Campaign to Reduce Bar Violence

In 2007-08, the AGLC launched the Cage Your Rage advertising campaign. The campaign targeted young males aged 18-24 and aimed to discourage them from fighting when drinking at bars and nightclubs. The campaign was part of the AGLC's broader plan to work with AADAC and other partners and experts to address drinking behaviours that may contribute to violent situations and to encourage a culture of drinking in moderation. The two month campaign began in June 2007 and included radio and movie theatre advertisements, posters in bar restrooms and liquor stores, and advertisements in the back seats of taxi cabs. The ads were created to imitate fight promotions and present a variety of scenarios that could take place in bars and nightclubs that could potentially lead to violent situations.



Alberta Safer Bars Council

The AGLC began working to establish an Alberta Safer Bars Council in 2007-08. The Alberta Safer Bars Council will be a multi-sectoral stakeholder advisory group that will review best practices with the goal of improving safety at licensed premises. The Council will provide strategic advice to the AGLC in prioritizing, developing and implementing policies and programs to deter violence in and around licensed premises based on the best practices and experiences in other jurisdictions.

Recycling Up

The AGLC is an active participant in the Beverage Container Management Board (BCMB) that regulates the recycling of beverage containers in Alberta. Almost 88 per cent of liquor containers were recycled in 2007-08. This represents a two per cent increase from the previous year. For liquor container recycling statistics, consult the BCMB's website at **www.bcmb.ab.ca**.

Liquor – Operations

2007-08 HIGHLIGHTS

Gross profit from liquor sales in 2007-08 was $680 million, compared to $662 million the previous year. On March 31, 2008 there were 14,411 different liquor products available to Alberta's 1,187 privately-owned liquor stores and general merchandise liquor stores, compared to 13,455 the previous year. This seven per cent increase shows that Albertans continue to have more variety in their product choices.

Sales and Revenues

In 2007-08, Albertans purchased over 3.3 million hectolitres of liquor. The AGLC's liquor sales totalled $1.97 billion. $1.29 billion was distributed to suppliers and other organizations. The AGLC's liquor-related operating and regulatory costs were $22 million, leaving $658 million which, along with $20 million collected for licences, special event licences, levies, fines and other charges provided over $678 million to the provincial General Revenue Fund.

Licences in Effect at Year-End and Sales ($ thousands)

	2007-08						2006-07	
Licence Class	Licences in Effect	Spirits	Wine	Coolers & Cider	Beer	Total Sales	Licences in Effect	Total Sales
A (hotels, bars and lounges)	5,037	$ 75,853	$ 28,061	$ 8,613	$ 208,888	$ 321,415	5,085	$ 323,751
B (facilities where people pay an entrance fee or buy a ticket)	507	1,135	495	242	5,267	7,139	500	7,698
C (private club)	782	756	1,755	160	5,716	8,387	780	8,612
D (retail outlets that sell liquor for off-premises consumption	1,800	538,755	349,516	60,684	674,725	1,623,680	1,769	1,511,656
E (brew pubs and liquor manufacturers)	20	-	-	-	-	-	20	-
Other	-	3,069	1,490	125	1,043	5,727	-	5,222
	8,146	$ 619,568	$ 381,317	$ 69,824	$ 895,639	$ 1,966,348	8,154	$ 1,856,939

Liquor Supply Chain Review

In Alberta, Connect Logistics Services (CLS) is the sole warehouser and distributor of spirits, wine, coolers, and imported beer. The distribution of liquor product to licensees from the CLS warehouse and the warehousing and the receipt of liquor product from suppliers and agents was reviewed in 2006-07. The review was conducted by an independent third party and recommended resolutions to supply chain issues that occurred in 2006-07.

The liquor supply chain review was one of the more complex and important initiatives the AGLC has undertaken since the privatization of liquor occurred in 1993. The Alberta liquor industry supply model is designed to balance the interests of all stakeholders.

The complete report is available on the AGLC website at **www.aglc.gov.ab.ca**.

Recommendations from the review were accepted by the AGLC Board in 2006-07. All of the short-term recommendations were implemented in 2007-08. Work on the medium-term recommendations is underway and will result in the development of a long-term plan for the province's liquor supply chain in consultation with the industry.

Consulting with Albertans

Obtaining information on Albertans' views is important to the AGLC. By including stakeholders in these discussions, the AGLC can create the most effective means to address issues or concerns.

Following from the Liquor Supply Chain Review conducted in 2006-07, the AGLC undertook a consultative review of Limited Time Offers (LTOs) in 2007-08. In general, the liquor industry understands price changes that take effect for two week periods to be "limited time offers" (LTOs). The purpose of the consultation was to better understand the issues surrounding price changes and LTOs, with a view to developing recommendations to improve the effectiveness and efficiency of ordering product with LTOs. In May 2007, the AGLC announced an interim solution for ordering LTO products, whereby licensees could order product at any time and "pre-commit" stock to their orders. These "pre-committed" products are delivered with the licensee's normal order. Through additional stakeholder consultation, this interim solution was found to meet the needs of the Alberta liquor industry, and has been permanently implemented.

New Liquor Warehousing and Distribution Fee Structure Approved

In 2007-08, the AGLC Board approved a new rate structure for liquor agents, suppliers and retailers based on activity-based costing principles. Factors which influence the rates now include product volume, handling time for warehousing, order processing and storage needs. The new rates reflect the applicable costs of providing warehousing and distribution services to the liquor industry and became effective July 15, 2007. Each retailer determines its product selection and retail pricing so the new rates affect each one differently. Developing a more detailed rate structure was one of the recommendations of the 2006-07 Liquor Supply Chain Review.

The rate changes do not apply to domestic beer since these products are handled through a different distribution system.

Liquor Mark-Up Rates in Alberta as of June 1, 2006

Spirits, Refreshment Beverages and Wine	**$ per Litre**
Spirits (greater than 60% alcohol content)	17.87
Spirits (greater than 22% and less than or equal to 60% alcohol content)	13.30
Spirits (less than or equal to 22% alcohol content)	9.90
Wine and Sake (greater than 16% alcohol content)	6.10
Wine and Sake (less than or equal to 16% alcohol content)	3.45
Refreshment Beverages (greater than 8% and less than or equal to 16% alcohol content)	4.05
Refreshment Beverages (greater than 1% and less than or equal to 8% alcohol content)	1.35

Beer*	**$ per Litre**
Beer (less than or equal to 10,000 hectolitres)	0.20**
Beer (greater than 10,000 hectolitres and less than or equal to 200,000 hectolitres)	0.40**
Beer (greater than 200,000 hectolitres and less than or equal to 400,000 hectolitres)***	0.40 on sales in Alberta up to and including the first 200,000 hectolitres 0.98 on sales in Alberta for the next 200,000 hectolitres up to and including 400,000 hectolitres
Beer (greater than 400,000 hectolitres)	0.98

* Annual worldwide production includes the volume of all liquor and non-liquor products manufactured where the beer is produced, as well as all contracted or leased volumes.

** All manufacturers/liquor suppliers/liquor agencies are subject to the standard mark-up rate of $0.98 per litre. A qualified manufacturer may be eligible for the small brewer mark-up if it meets, to the satisfaction of the AGLC, the following criteria:

1. A qualified manufacturer, under the beer mark-up policy, is defined as:
   a) An Alberta licensee holding a Class E Manufacturer (Brewery) Licence issued in accordance with the *Gaming and Liquor Act*, Gaming and Liquor Regulation and related AGLC policies; or
   b) A person who owns/leases, operates and controls an establishment for making liquor outside of Alberta who meets the following requirements of a Class E Manufacturer (Brewery) in Alberta:
      i. 5,000 hectolitres minimum annual production capacity;
      ii. all beer must be manufactured on site;
      iii. fermentation, maturation and storage tanks with a minimum of 10 hectolitres capacity each;
      iv. there must be a weekly minimum of 50 hectolitres overall fermentation, maturation and storage capability and there must be space available to add additional tanks to achieve the overall annual capacity; and
      v. the person must have the continuous right to solely occupy and control the facility whether or not the facility is owned or leased by the person.
2. A qualified manufacturer is eligible for the small brewer rates on products for distribution in Alberta only if it is either:
   a) the owner of the trade/brand names it manufactures; or
   b) the registered agency in Alberta of the products it manufactures.
3. A registered agency that has a product produced at only one qualified manufacturer, that qualified manufacturer having annual world-wide production of all products less than 10,000 hectolitres is eligible for the small brewer rate.

*** Only those beer manufacturers and suppliers whose annual worldwide production was less than 200,000 hectolitres when they entered the Alberta market are eligible for the transition mark-up rates.

Liquor

GOAL ONE Liquor activities are conducted with integrity and in a socially responsible manner

PERFORMANCE MEASURE Percentage of liquor licensees who comply with legislation, regulations and policy.

The AGLC is responsible for a range of regulatory activities such as inspections, investigations, and audits to ensure compliance with provincial laws. In 2007-08, 27,195 inspections were conducted, resulting in 353 liquor licensees being issued a penalty, compared to 286 the previous year. Incident reports filed about non-compliant liquor establishments typically document alleged violations and are used to determine disciplinary action, ranging from warnings to monetary penalties or ultimately suspension or cancellation of liquor licences. In 2007-08, the AGLC Board held 23 liquor-related hearings, compared to 21 the previous year. Based on the average number of licences during the year, the vast majority of licensees — 94.5 per cent — met the requirements for compliance.

The incident reports filed for non-compliant liquor establishments typically concern the following areas:

- Failing to request proof of age from patrons who appear to be under 25
- Selling liquor to minors or allowing minors in age-restricted facilities
- Serving liquor to intoxicated patrons
- Serving liquor after hours
- Failing to provide proper supervision and control
- Selling illegal liquor

Liquor Licensee Compliance Remains High

	2007-08 Target	2007-08 Result	2006-07 Target	2006-07 Result	2005-06 Result	2004-05 Result	2003-04 Result
Percentage of liquor licensees who comply with legislation, regulations and policy.	95.0%	94.5%	95.0%	95.5%	93.8%	93.3%	Comparative not available

Notes:
- Licensees consist of five different classes of liquor licensees, as well as registrants and Special Event licensees.
- In 2007-08, 84% of all licensees were inspected. The percentage of all licensees inspected in 2006-07 was 74%, 72% in 2005-06 and 73% in 2004-05.
- Cautions (verbal warnings) are not included in the results.

Source: Stakeholder Database. Report generated using the AGLC Regulatory Integrity Compliance and Education (RICE) system.

	2007-08	2006-07	2005-06
Average number of licensees	6,449	6,425	6,742
Number of licensees who received penalties	353	286	419

PERFORMANCE MEASURE Percentage of Albertans surveyed who are satisfied that liquor is provided in a responsible manner.

The AGLC encourages the responsible sale and consumption of liquor. To determine how satisfied Albertans are with the provision of liquor, public satisfaction is measured through an annual survey of a representative sample of Albertans.

The survey is administered by a third party survey firm on behalf of the AGLC. To ensure a random and representative sample, participants were drawn from the most recent residential phone listings. The latest Statistics Canada population estimates were used to ensure results were proportionate to Alberta's population. There is a 95 per cent certainty that the results are accurate to ±3.1 per cent.

93.8 per cent of respondents were 'very satisfied', 'satisfied', or 'somewhat satisfied' that liquor is provided in a responsible manner. This is consistent with the results obtained in previous years, and is very close to the target of 94.0 per cent.

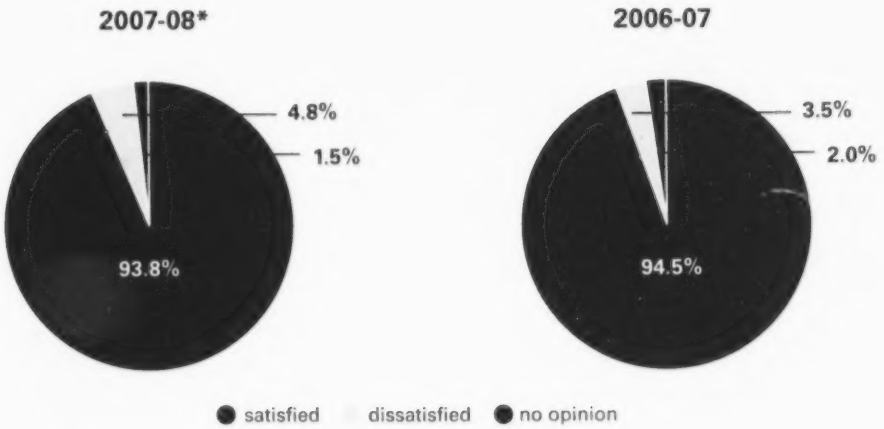
The results for this performance measure were obtained by using a weighted average for the following:

- Respondents' level of satisfaction with the sale of liquor in a responsible manner
- Respondents' level of satisfaction with the service of liquor in a responsible manner

Albertans very satisfied with the provision of liquor

	2007-08 Target	2007-08 Result	2006-07 Target	2006-07 Result	2005-06 Result	2004-05 Result	2003-04 Result
Percentage of Albertans surveyed who are satisfied that liquor is provided in a responsible manner.	94.0%	93.8%	94.0%	94.5%	93.1%	93.0%	Comparative not available

Source: 2007-08 Survey of Albertans – Leger Marketing



* Chart does not equal 100% due to rounding

GOAL TWO

Liquor licensing activities are effective, efficient and economical

PERFORMANCE MEASURE

Percentage of liquor licences and registrations completed within established timeframes.

The AGLC licenses all premises at which there is the manufacture, storage or service of liquor and registers individuals and companies who represent liquor suppliers in the sale of the supplier's liquor. As a result, the number of licences in effect varies from month to month. As of March 31, 2008, there were 8,146 licences in effect (8,154 at March 31, 2007).

The AGLC places high importance on processing liquor licences and registrations in a timely manner to meet the expectations of the thousands of clients it serves.

The timeframe for processing liquor licences and registrations is measured in days calculated from the date a complete application is received by the AGLC to the date the required licence or registration is issued. Different types of applications require different levels of approval, and some applications may take longer than others to process, therefore different target response times apply. The AGLC's performance with regard to application processing is expressed as the percentage of applications processed within established timeframes.

The following tables show that 100 per cent of a total of 1,924 liquor licences and registrations were completed within the target timeframes. This positive result builds on changes made during 2005-06 when a cross-training initiative was implemented to train staff to process various kinds of licences and applications. The cross-training allowed staff to be redirected to busier streams, when needed, thus improving organizational efficiency.

The licensing and registration requirements of the *Gaming and Liquor Act* protect the public by ensuring compliance with federal, provincial and municipal legislation.

Individuals and companies must be licensed or registered by the AGLC to:

- Manufacture, sell or store liquor
- Represent a liquor supplier in the sale of the supplier's liquor

The AGLC meets targeted response times 100 per cent of the time in 2007-08

	2007-08 Target	2007-08 Result	2006-07 Target	2006-07 Result	2005-06 Result	2004-05 Result	2003-04 Result
Percentage of liquor licences and registrations completed within established timeframes.	98.0%	100%	98.0%	100%	100%	99.5%	99.4%

Source: Licensing Management System

Category	Target Response Time	2007-08 Totals Processed	2007-08 Processed within Target Time Frame	2006-07 Totals Processed	2006-07 Processed within Target Time Frame
New Licences	21 days	1,033	100%	1,163	100%
Special Event Licences	14 days	851	100%	889	100%
Liquor Agency Registrations	7 days	40	100%	42	100%
Totals		1,924	100%	2,094	100%

PERFORMANCE MEASURE Percentage of liquor industry clients who are satisfied with the level of service provided by the AGLC.

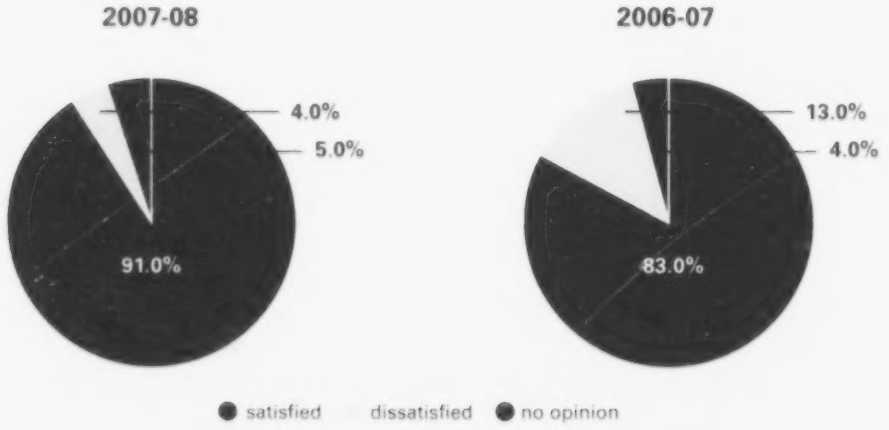
Client satisfaction is important to the AGLC. The AGLC endeavours to provide a consistently high level of service to its licensees and stakeholders. Client satisfaction was measured through an independently administered telephone survey of a random sample of 364 of 6,477 liquor licensees and 149 of 332 registered liquor agencies. The results were weighted to reflect the relative size of these two subgroups within the liquor industry. There is a 95 per cent certainty that the results are accurate within ±4.2 per cent.

Respondents were asked to rate their satisfaction with AGLC services received in the previous 12 months. The survey found that 91.0 per cent of respondents were 'very satisfied', 'satisfied' or 'somewhat satisfied' with the overall services provided. While this result does not quite meet the target of 95.0 per cent, it represents a significant improvement from the 83.0 per cent of respondents who were satisfied in 2006-07. This improved client satisfaction builds on recommendations from the Alberta Liquor Supply Chain Review that were implemented in 2007-08.

High satisfaction with AGLC services

	2007-08 Target	2007-08 Result	2006-07 Target	2006-07 Result	2005-06 Result	2004-05 Result	2003-04 Result
Percentage of liquor industry clients who are satisfied with the level of service provided by the AGLC.	95.0%	91.0%	95.0%	83.0%	94.0%	95.0%	94.0%

Source: 2007-08 Survey of Liquor Industry Clients – Leger Marketing



Gaming

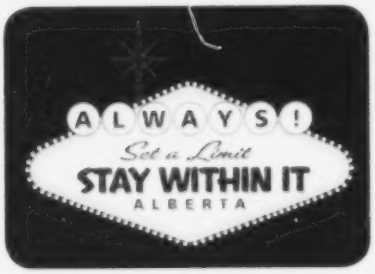
2007-08

Gaming - Being Responsible

Social responsibility in the delivery of gaming products in Alberta is achieved through partnerships and collaborative relationships between government, stakeholders, and patrons.

- The AGLC, in partnership with the Alberta Alcohol and Drug Abuse Commission (AADAC) works closely with gaming industry stakeholders to develop strategies that promote healthy choices and the responsible use of gaming products.
- It also works with post-secondary institutions and other stakeholders to identify gaming research priorities.
- The AGLC monitors other gaming jurisdictions and academic research to identify effective responsible gambling awareness training programs, gambling harm prevention and education initiatives, and more.
- The AGLC also administers the Voluntary Self-Exclusion (VSE) program for patrons of Racing Entertainment Centres (RECs) and casinos who request help to control their gambling behaviour.

Responsible Gambling Awareness Week



"Always! Set a limit. Stay within it." was the theme for Alberta's first Responsible Gambling Awareness Week (RGAW), held October 22-28, 2007.

The RGAW aims to educate Albertans about maintaining a healthy perspective on gambling and how to seek help if gambling is a problem. Encouraging responsible gambling – 'setting a limit and staying within it' – is the best defense against problem gambling.

Together, AADAC and the AGLC provide awareness and intervention training for gambling operators and retailers. Being responsible in the gambling industry is shared among individuals, the government and industry and the Responsible Gambling Awareness Week is one way to recognize and encourage this cooperative effort.

SMART Training Programs

As mentioned on page 26, the AGLC SMART training programs are a suite of competency based courses for anyone involved in the gaming and liquor industries. The gaming focused courses are designed to help licensees fulfill their social responsibilities and duty of care obligations, raise awareness of problem gambling and reduce the risk of liability.

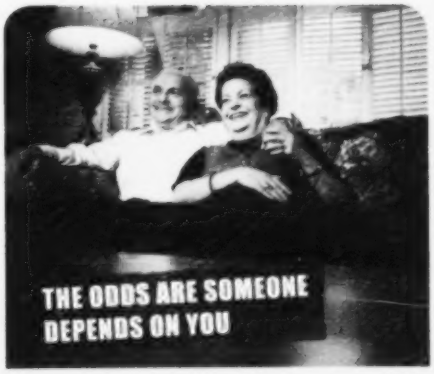
Responsible gambling training programs for gaming industry workers include:

- Deal Us In (Casino and Racing Entertainment Centres)
- Reel Facts (Video Lottery Terminal [VLT] Retailers)
- Winning Moments (Video Lottery Terminal [VLT] Retailers)*
- A Good Call (Bingo Halls)

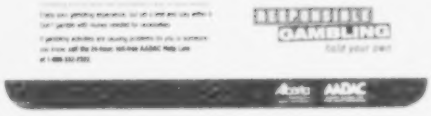
* The Winning Moments training program was replaced by the Reel Facts program in 2007-08.

Bingo Responsible Gambling Program Launched

The industry awareness training program for bingo staff – *A Good Call* – was introduced in 2007-08 and is one of the suite of SMART training programs. Developed jointly by the AGLC, AADAC and the bingo industry, the program is intended to help bingo staff gain awareness of the gambling behaviours and habits of their customers and to be prepared to refer customers wanting help to the appropriate counselling and assistance services/agencies.



This training, designed specifically for the bingo industry, is mandatory for all registered bingo workers. In addition to the staff training instructional manual (distributed in-class by the facilitator), the program includes posters, a brochure and a self-test card, complete with responsible gambling tips. *A Good Call* awareness training is facilitated by an AADAC consultant.



The majority of registered bingo workers in Alberta (512) completed the training in 2007-08. The remainder will complete the training in 2008-09.

Reel Facts Training Program Launched

In October 2007, the AGLC launched *Reel Facts*, an on-line responsible gambling training program for VLT retailers and their employees. *Reel Facts* is one of the SMART training programs.

The Reel Facts course is produced by the AGLC in association with AADAC and is an expansion of the *Winning Moments* CD-based program. The ultimate goal of *Reel Facts* is to promote responsible VLT play in Alberta. The program is offered to VLT retailers and their staff at no cost.

Reel Facts helps VLT retailers and their staff recognize the signs of problem gambling and prepares them to respond appropriately and effectively to such behaviours. Program participants learn that words and actions may reinforce problem gambling behaviours and discover simple guidelines on ways to direct people (for whom gambling may be a problem) to appropriate resources and support services. Anyone who works in a licensed establishment where VLT machines are present is required to participate in the *Reel Facts* program.

Alberta Problem and Responsible Gambling Strategy

Re-development of the joint AGLC/AADAC Problem and Responsible Gambling Strategy began in October 2007 at the third annual Responsible and Problem Gambling Key Stakeholders meeting. The purpose of the strategy is to continually review emerging trends and issues in the fields of responsible and problem gambling and ensure that there is a shared understanding and commitment to priorities and actions in these areas.

Minors Awareness Campaign

The Minors Awareness Campaign for lottery ticket retailers was launched in 2006-07 and continued in 2007-08. The campaign is directed at lottery ticket retailers and their staff and its purpose is to remind retailers that AGLC policies prohibit minors from gambling. Research from AADAC indicates that Alberta youth from grades seven through grade twelve are participating in a number of gambling activities, including playing scratch 'n win lottery tickets.

In 2007-08, 392 lottery ticket retailers were audited by AGLC Inspectors. A compliance rating of 41 per cent was achieved.

A report on this initiative is available on the AGLC website at **www.aglc.gov.ab.ca**. In 2007-08, the AGLC expanded the campaign and increased the amount of newspaper advertising to improve awareness.

Responsible Gambling Information Centres (RGICs)

Responsible Gambling Information Centres (RGICs) are located within casinos and Racing Entertainment Centres (RECs) to provide Albertans with information about the cost of play, house advantage, and the Voluntary Self-Exclusion Program (VSE). Centre staff assist gamblers with referrals to counselling and provide information and assistance with enrolment in the VSE. Centre staff also assist and educate facility staff with the identification and monitoring of problem gamblers.

Five new RGICs opened in 2007-08, bringing the total number to eight. The centres are staffed by trained responsible gambling consultants. RGICs will open in all casinos/RECs in Alberta by 2010.

The centres are staffed Tuesday to Saturday, from noon to 8:00 pm.

RGIC Locations at March 31, 2008:

Calgary	Deerfoot Inn and Casino Stampede Casino
Camrose	Camrose Resort Casino
Cold Lake	Casino Dene
Edmonton	Palace Casino Northlands Park (REC) Century Casino
Enoch	River Cree Resort and Casino

Player Awareness Terminal (PAT)

Alberta successfully tested its first Responsible Gambling Information Terminal, PAT (Player Awareness Terminal), in 2007-08. PATs will be installed in all RGICs in 2008-09.

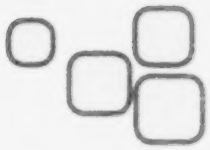
The terminal features a series of interactive screens that offer a self-test as well as myths and tips to gamblers on how to develop safe, personal responsible gambling guidelines.

VSE Program Evaluation and Enhancement

In February 2008, work began on enhancing the Voluntary Self-Exclusion (VSE) program. In 2007, a comprehensive evaluation of the program identified 22 proposed enhancements. The implementation of these enhancements will improve the Casino/REC VSE program effectiveness.

Gaming – Operations

The AGLC's gaming responsibilities include both charitable gaming and provincial gaming activities. Charitable gaming refers to Alberta's unique gaming model for casino table games, pull-ticket sales, raffles, and bingo events under which licensed charitable and religious groups hold fundraising events. Provincial gaming activities include slot machines, VLTs, electronic bingo, and ticket lotteries. The AGLC is accountable for the conduct and management of gaming activities and works with stakeholders and partners to create policies, regulations and educational programs, to ensure safe and responsible gambling.



Did You Know?

Under Canada's Criminal Code, only provincial governments can conduct electronic gaming.

The AGLC owns or leases all the equipment used in the province's gaming venues – including slot machines, VLTs, and electronic bingo units. This equipment is provided to retailers who are paid a commission for the space and services they provide to customers. Retailers' obligations are outlined in retailer agreements between the AGLC and the retailer.

2007-08 HIGHLIGHTS

Casino Facilities

The latest additions to Alberta's casino landscape are the Camrose Casino and Resort, Casino Dene on the Cold Lake First Nations, the Grey Eagle Casino on the Tsuu T'ina First Nation just outside of Calgary, and the Eagle River Casino and Travel Plaza on the Alexis Nakota Sioux First Nation, just outside of Whitecourt.

One additional First Nation casino is expected to open during the summer of 2008. The AGLC works closely with applicants seeking new facility licences to ensure the integrity of the gaming industry is maintained. The licensing process ensures that the growth of gaming is carefully managed and controlled. Applicants must present a detailed business and marketing plan to the AGLC and must also demonstrate that they have considered community impacts. The status of current applications can be found at **www.aglc.gov.ab.ca**.

Almost 15,000 Albertans Trained in 2007-08

The AGLC facilitates a number of training programs ranging from social responsibility programs and product training for gaming staff and retailers, to information sessions for charitable and religious groups. The AGLC is committed to ensuring its retailers and licensees have the knowledge required to conduct their business with integrity and in a socially responsible manner. As needs are identified, new programs are developed.

Gaming Training Activities 2007-08

Training Program	Audience	Purpose	# Trained in 2007-08	What's New
"Deal Us In"* **Casino/REC Responsible Gambling Training**	Casino/Racing Entertainment Centre staff	To provide awareness of problem and responsible gambling and where to find assistance.	126 sessions with 1,611 participants	
"Reel Facts"* **VLT Responsible Gambling Training previously called *"Winning Moments"***	VLT retailer staff	To create awareness of gamblers' myths and how not to promote these myths	Approximately 1,200 individuals completed the video training. The on-line session was launched in Winter 2008 and over 300 individuals have taken the course through the on-line method.	*Reel Facts*, an online responsible gambling program for VLT retailers and their staff was launched in 2007-08
"A Good Call"* **Bingo Responsible Gambling Training**	Bingo facility operators and staff	To provide awareness of problem and responsible gambling and where to find assistance	49 sessions offered to 512 participants	*A Good Call* was launched in 2007-08
VLT/Ticket Lotteries/ Slots/Electronic Bingo	Retailers and facility operators	Training on products and use of terminals and peripherals	2,610 retailer staff (includes slot machines, VLT, ticket lottery, and electronic bingo)	
Training for Lottery Ticket Terminals	Lottery ticket retailers and staff	Training on how to operate lottery ticket terminals and customer display units and product knowledge	4,962 retailer staff	Training was provided to all retailers to learn the features of the new terminals being installed
Responsible Gambling Training	All AGLC staff	To ensure staff have an understanding of problem gambling and AGLC's role in educating people on responsible gambling	Approximately 70 new hires participated in the training sessions	
Gaming Information for Charitable Groups (GAIN)	Charitable and Religious Groups	To provide information about the responsibilities and requirements of conducting licensed gaming activities	210 sessions offered in 38 communities with 3,408 participants	New combined overview of charitable gaming licensing and use of gaming proceeds session and new casino session providing information specific to casino licensees

* Program is part of the SMART suite of training programs.

CHARITABLE GAMING 2007-08 HIGHLIGHTS

Alberta has a unique, innovative model that provides opportunities for charitable and religious groups to benefit from gaming activities. Non-profit groups across the province earn millions of dollars to support their programs and activities by conducting bingos and casinos (table games), selling pull-tickets, and holding raffles. The funds from charitable gaming stay in the community where they help local communities remain vibrant and attractive for residents and newcomers alike.

Did You Know?

Giving got easier for Alberta charities in 2007.

In June 2007, the AGLC Board approved an increase to the total annual donation of gaming proceeds to any eligible recipient within Alberta (and within Canada) from $1,000 to $5,000 without the prior approval of the Commission.

Web-Based Reporting System

In February 2007, the AGLC launched a web-based facility for raffle licensees whose event sales total less than $10,000 to submit their financial reports online. Financial reports are a summary of charitable gaming activity (gaming revenue, gaming expenses and use of proceeds) for a registered charity in Alberta from licensed gaming events conducted. Raffle licensees (with gross sales under $10,000) have the option of submitting their financial report through the mail or directly through the AGLC website. The web-based service assists charities in the filing of their raffle financial reports.

As of March 31, 2008, almost 1,100 charitable gaming licensees had web accounts.

Applying for a web account is easy. An "Internet Account Request" Form (Form 5536) is available on the AGLC website at **www.aglc.gov.ab.ca**. Once approved, groups are sent a user ID and password via email.

Web accounts allow groups to:

- View their gaming licences;
- View their consolidated bank account information;
- View their current registered organization contact list;
- View their current "Use of Proceeds" list;
- Register on-line for GAIN sessions (see page 44); and
- Submit their financial report online (for Raffles under $10,000).

Gaming – Operations

Casino Table Games Trustee

Charity proceeds from traditional casinos are pooled quarterly and distributed to charities after the end of every pooling quarter. Traditionally, this pooling and distribution was completed by third party trustees. On July 2, 2007, the AGLC assumed responsibility for all tasks related to the pooling and distribution of proceeds to charities arising from casino events.

The AGLC assumed responsibility for the pooling and distribution of casino proceeds to charities to enhance the security of the funds which amounts to roughly $55 million every quarter. Another benefit of the change is charities are now receiving over $1 million additional net casino proceeds per year as a result of a reduction in trustee fees and higher investment income on pooled funds.

Free Information Training Sessions

GAIN Gaming Information for Charitable Groups

Since November 2003, the AGLC has been conducting free information sessions throughout Alberta as a service to charitable groups. The Gaming Information for Charitable Groups (GAIN) program provides information about the responsibilities and requirements of conducting licensed gaming activities.

In 2007-08, the AGLC expanded the number of different GAIN programs to include a combined overview of charitable gaming licensing and use of proceeds GAIN session, as well as a casino GAIN session.

The combined GAIN session is approximately 3.5 hours and delivers the content of both the overview of charitable gaming licensing and use of proceeds sessions in a single session. The option to attend the sessions separately is still available.

The casino GAIN session covers detailed information regarding AGLC required forms in preparation for a casino event, particularly the information sent to the casino chairperson in the draw package. The session also addresses frequently asked questions about conducting a casino event.

The GAIN program offers six different sessions:

1. Overview of charitable gaming licensing,
2. Use of gaming proceeds,
3. Combined charitable gaming licensing and use of proceeds session,
4. Casino session,
5. Host First Nations session, and
6. Special session (eg. conference and convention presentations), available upon request.

2007-08 GAIN Statistics:
3,408 participants attended these 210 sessions:

Charitable gaming licensing sessions	45
Use of proceeds sessions	69
Combined sessions	53
Casino sessions	27
Host First Nations sessions	5
Special sessions	11

The GAIN program is very popular. During 2007-08, the AGLC delivered 210 GAIN sessions to more than 3,400 participants in 38 communities throughout Alberta. To date, almost 20,000 participants have accessed gaming information through the GAIN program.

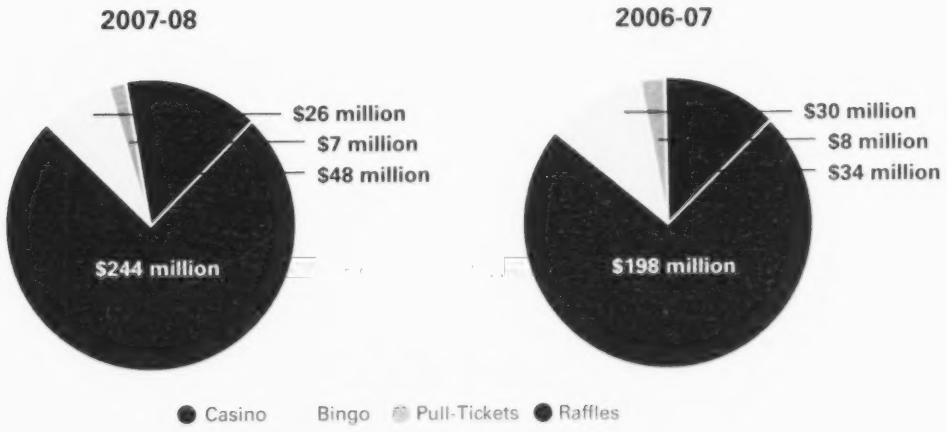
Charitable Gaming Sales and Proceeds

Charitable and religious groups conducting a casino event keep the proceeds from the table games, less a service fee for the facility operator. In a similar fashion, charities keep all the proceeds they earn from bingos, raffles and pull-ticket sales after operating expenses. Charities also receive a portion of the revenues from slot machines, electronic bingo and Keno. During 2007-08, charities received a total of $325 million, compared to $270 million the previous year.

Gaming Licences in Effect and Associated Revenues 2007-08 ($ thousands)

	2007-08							2006-07
	Licences[1]	Total Gross ($000)	Prizes/ Winnings ($000)	Expenses ($000)	Electronics ($000)	Keno ($000)	Proceeds to Charity ($000)	Proceeds to Charity ($000)
Casino	3,412	$ 1,041,993	$ 844,529	$ 124,906	$ 171,314	$ 24	$ 243,896	$ 198,188
Raffles [2]	3,730	121,315	48,272	25,204			47,839	34,559
Bingo [3]	2,019	201,988	129,537	53,054	6,048	512	25,957	30,111
Pull-Tickets [4]	482	35,935	26,067	2,374			7,494	7,573
	9,643	$ 1,401,231	$ 1,048,405	$ 205,538	$ 177,362	$ 536	$ 325,186	$ 270,431

1 Bingo and pull-ticket licences are generally in effect for two years. Licences for casinos and raffles are generally for a single event.
2 Includes prior year information for raffles with gross sales over $10,000 and current year information for raffles with gross sales under $10,000. 2006-07 information does not include information for raffles with gross sales under $10,000.
3 Includes current year information for bingo events conducted at licensed bingo facilities and prior year data for bingo events conducted at community bingo facilities. Does not include community bingos with gross sales under $2,500.
4 Includes prior year information.



TICKETS, SLOTS, VLTS AND ELECTRONIC BINGO 2007-08 HIGHLIGHTS

The AGLC conducts and manages ticket lotteries and all electronic gaming devices (slot machines, VLTs, and electronic bingo). These activities are delivered by independent retailers, private operators, and bingo associations under retailer agreements. The AGLC supplies and maintains the electronic equipment used for tickets, slots, VLTs, and electronic bingo.

Net revenues from provincial gaming activities (VLTs, slot machines, electronic bingo, and ticket lotteries) are deposited in the Alberta Lottery Fund. Benefiting Alberta communities, the Alberta Lottery Fund supports programs, projects and foundations administered by 13 government ministries. Expenditures from the Alberta Lottery Fund are approved annually by the Provincial Legislature.

The AGLC is responsible for the administration of the Alberta Lottery Fund. Using key strategies like ensuring lottery fund revenues are allocated according to policy, and helping Albertans to become better informed about lottery-funded initiatives, the AGLC manages the Alberta Lottery Fund to enhance the quality of life for all Albertans. Find out more about the Alberta Lottery Fund at **www.albertalotteryfund.ca**.

In 2007-08, the Alberta Lottery Fund received proceeds of over $1.6 billion. The details of how these funds were used by the ministries are outlined in their annual reports.

Did You Know?

The Alberta Lottery Fund website includes a searchable database that enables users to view lottery-funded projects by organization, community, or type of grant.

For more information visit: ***www.albertalotteryfund.ca***

Sales and Proceeds

In 2007-08, gross profit from tickets, slots, VLTs and electronic bingo totalled $2.34 billion, compared to $2.16 billion the previous year. Of this amount, over $1.6 billion was deposited in the Alberta Lottery Fund to support volunteer, public and community-based initiatives. Costs of commissions for operators and charities and federal payments amounted to $553 million, while the AGLC's own gaming-related operating costs were $168 million. The following table provides a breakdown for each gaming activity.

Revenues and Cost Allocation for Tickets, Slots, VLTs and E-bingo 2007-08

($ millions)	VLTs	Slot machines	2007-08 Electronic bingo	Lottery ticket	Total	2006-07 Total
Revenues	$ 10,554.0	$ 15,129.2	$ 42.0	$ 604.2	$ 26,329.4	$ 24,307.8
Prizes	9,716.0	13,927.3	29.1	320.7	23,993.1	22,143.9
Gross Profit	$ 838.0	$ 1,201.9	$ 12.9	$ 283.5	$ 2,336.3	$ 2,163.9
Commissions/Federal Payments	135.2	361.3	4.1	52.3	552.9	494.4
Expenses					168.1	135.7
Net Operating Results					$ 1,615.3	$ 1,533.8

Did You Know?

On December 11, a new lottery prize payout office opened at the AGLC's Calgary office. The Calgary prize payout office processes lottery prizes of up to $9,999.99.

Ticket Lotteries

In 2007-08, Albertans could buy nine different types of lottery tickets. They could also play Keno at 25 bingo halls, 47 Video Gaming Entertainment Rooms (VGERs), and 12 casinos.

Total revenues from ticket lotteries increased 4.5 per cent in 2007-08, compared to the previous year. An increased number of bonus jackpot offerings contributed to the revitalization of this form of gaming. The sales for scratch n' win (instant) tickets were 6 per cent higher than the previous year. In 2007-08, 53 per cent of ticket lottery sales were returned to players as prizes. There were 416 winners of $10,000.00 or more, including 11 winners of $1 million or more.

Ticket Lottery Sales ($ thousands)

Ticket Type	2007-08	2006-07
Lotto 6/49	$ 211,105	$ 184,633
Instant	162,425	152,897
Extra	62,245	61,257
Super 7	61,487	77,926
Sport Select	44,764	43,781
Western 6/49	30,791	31,513
Pick 3	13,221	12,529
Pay Day*	8,135	-
Millionaire Life	6,061	9,602
Keno	3,959	4,114
	$ 604,193	$ 578,252

* Introduced in 2007-08.

Ticket Lottery Prize Claim Integrity

Concerns with the integrity of ticket lottery prize claims in other provinces prompted the AGLC, together with the Western Canada Lottery Corporation (WCLC), which operates ticket lottery games for Alberta, Saskatchewan, and Manitoba, to initiate an external review focusing on retailer wins, internal and retail prize claim policies and procedures, and the measures being introduced to ensure the protection of players.

Although there was no evidence of any significant concerns identified from this review, the WCLC and the AGLC took steps to strengthen ticket lottery processes and identify enhancements which were implemented in 2007-08. These enhancements included replacing all lottery ticket terminals across the province. Each time a winning ticket is scanned by a retailer, the terminal emits a sound. In addition to the new terminals, each location also received a Customer Display Unit (CDU) that shows customers whether or not their ticket is a winner. Self-serve ticket checkers have also been installed in all locations which offers consumers the opportunity to check their own on-line tickets to determine if the ticket is entitled to a prize.

In August 2007, the AGLC began requiring that all customers sign the back of their lottery ticket prior to the ticket being validated. On April 1, 2008, the following policies were added:

- A "tear and return" policy which requires retailers to return all tickets to customers after they are validated;
- All new lottery ticket retailers must complete a criminal record check prior to receiving a lottery terminal;
- A lottery ticket retailer audit program has been launched which checks that retailers are complying with policies and procedures;
- A new code of conduct was introduced, which outlines the AGLC's expectations for retailer conduct; and
- A new progressive discipline program was launched for non-compliant retailers.

The AGLC has a Hotline for all customer lottery ticket complaints (1-800-561-4415). All complaints are investigated.

Coin-less Convenience

The AGLC converted the slot machines in all Alberta casinos and Racing Entertainment Centres (RECs) to coin-less machines, commonly referred to as TITO or Ticket In/Ticket Out, which provides a printed voucher as payment. This voucher can be used at other slot machines in the same casino or cashed out. TITO reduces hardware malfunctions due to coin jams, decreases machine downtime and increases player satisfaction. The conversion was completed on March 20, 2008. Standardized cash management practices to enhance gaming integrity were also introduced as part of the coin-less conversion.

TITO Conversion Facts:

Total number of locations converted:	22
Total number of months:	24
Total number of pallets of equipment:	1,500
Total number of slot machines removed/installed:	2,046
Total number of slot machines converted:	8,454
Total number of staff hours per site:	3,231

Community and Sensory Gaming Introduced

The technology behind slot machines is always evolving as it strives to provide consumers with new and exciting gaming experiences. In 2007-08, the AGLC introduced new concepts including Community Gaming and Sensory Gaming. The premise behind Community Gaming is to allow a group of players to participate collectively in bonus rounds. The Sensory Gaming experience provides players with sound, sights and vibrations from the slot machine, which enhance their overall entertainment value.

Slot Machines

Slot machines feature many different games and levels of prizes. The AGLC regularly introduces new games and changes the mix of games in response to player demand. At March 31, 2008, there were approximately 500 game titles available.

Slot Machines and Locations

Number of slot machines	2007-08	2006-07	2005-06
Casinos			
Edmonton	3,976	3,808	2,556
Calgary	4,188	3,429	3,306
Other	2,860	2,160	2,047
Racing Entertainment Centres (RECs)	835	835	749
Total	11,859	10,232	8,658

Consolidation of VLTs

According to government policy, there can be no more than 6,000 VLTs operating in Alberta. At March 31, 2008, there were 5,986 VLTs operating at 1,051 retail locations across the province. Sixty-seven of the retail locations were Video Gaming Entertainment Rooms (VGERs). In response to Albertans' preference to reduce the availability of electronic gaming terminals in the province, the AGLC has successfully reduced the number of VLT locations by 17 per cent since 2001, with a focus on consolidating terminals in Video Gaming Entertainment Rooms (VGERs).

Gaming

GOAL THREE Charitable gaming activities are conducted with integrity and in a socially responsible manner.

PERFORMANCE MEASURE Percentage charitable gaming activities that are conducted in accordance with legislation, regulation and policy.

Compliance of charitable gaming activities is measured by the number of inspections resulting in penalties generated as a result of AGLC inspections of licensed gaming facilities and events. Inspection types and frequencies differ for different kinds of charitable gaming activities and consist of operational, maintenance and site visits.

Compliance is measured by the number of inspections resulting in penalties where the incident report is issued in the current year or prior year and the penalty is handed out in the current year. For example, an incident report generated in 2006-07 with a penalty handed out in 2007-08 is included as part of the 2007-08 result.

Charitable gaming inspections totalled 4,888 in 2007-08. 31 inspections resulted in penalties, representing approximately 0.6 per cent of the total number of inspections. In nearly all cases, inspectors found charitable gaming activities to be in compliance with legislation and policy.

The incident reports filed about non-compliant gaming operations typically concern the following areas:

- Using gaming proceeds for inappropriate purposes
- Conducting raffles or pull-ticket sales in contravention of licence terms

Charitable gaming compliance is higher than targeted

	2007-08 Target	2007-08 Result	2006-07 Target	2006-07 Result	2005-06 Result	2004-05 Result	2003-04 Result
Percentage of charitable gaming activities that are conducted in accordance with legislation, regulation and policy	95.0%	99.4%	95.0%	99.4%	99.5%	99.5%	Comparative not available

Source: Stakeholder Database. Report is generated using the AGLC Regulatory Integrity Compliance and Education (RICE) system.

Charitable Gaming Compliance Statistics

	2007-08	2006-07	2005-06	2004-05
Inspections Conducted	4,888	4,910	4,979	5,320
Inspections Resulting in Penalties	31 (0.6% of all licensees)	28 (0.6% of all licensees)	26 (0.5% of all licensees)	27 (0.5% of all licensees)
Compliance Rate	99.4%	99.4%	99.5%	99.5%

PERFORMANCE MEASURE Percentage charitable gaming financial reports produced within established timeframes.

Only charitable and religious groups are eligible for gaming event licences, and only if their gaming proceeds are used for charitable or religious objectives or purposes. Financial reporting procedures apply to gaming event revenue and expenses and to the use of charitable gaming funds. Charities that have spent gaming proceeds for purposes that have not been approved are required to return these amounts to their gaming accounts.

Charitable gaming financial reports are prepared by the AGLC and provided to the charitable and religious organizations for review and verification. The timeframe for preparing charitable gaming financial reports is measured in days, calculated from the end date (or anniversary date for multi year gaming licences) of the charity's gaming licence or the anniversary date of their gaming consolidated report. The AGLC's financial gaming review system tracks charitable gaming financial reports and automatically generates a target response time based on the type of report required. Different kinds of reports take different amounts of time. The system also tracks expected and actual report completion dates.

The performance measure below is calculated by dividing the number of financial reports mailed on time by the total number of financial reports. For 2007-08, financial reports were produced within established timeframes 96.7 per cent of the time. This represents an increase of 10.8 per cent from the previous year. This significant increase is the result of improved processes and procedures which reduced a backlog and created an environment where the target could be exceeded.

The licensing and registration requirements of the *Gaming and Liquor Act* protect the public by ensuring compliance with federal, provincial and municipal legislation.

Individuals, non-profit groups or companies must be licensed by the AGLC to:

- Own or operate gaming facilities such as casinos, bingo halls, Racing Entertainment Centres (RECs)
- Conduct or manage gaming events such as bingos, casino table games, raffles or pull-ticket sales

Individuals and companies must be registered with the AGLC to:

- Be "gaming workers" (as defined in the *Gaming and Liquor Act*)
- Make, sell, advertise or distribute gaming equipment and supplies

Financial Reports completed within target timeframe

	2007-08 Target	2007-08 Result	2006-07 Target	2006-07 Result	2005-06 Result	2004-05 Result	2003-04 Result
Percentage of charitable gaming financial reports produced within established timeframes.	80.0%	96.7%	75.0%	85.9%	62.3%	Comparative not available	

Source: AGLC Performance Measures Audit Details Report

Report response times for different gaming categories

Category	Target Response Time	2007-08 Totals Processed	2007-08 Processed within Target Timeframe	2006-07 Totals Processed	2006-07 Processed within Target Timeframe
Licensed Bingo Facility Bingos	10 weeks	1,734	1,692 (97.6%)	1,927	1,795 (93.2%)
Community Bingos	10 weeks	295	224 (75.9%)	292	150 (51.4%)
Casinos	20 weeks	3,301	3,278 (99.3%)	3,051	2,925 (95.9%)
Pull Tickets	10 weeks	470	417 (88.7%)	525	255 (48.6%)
Raffles	10 weeks	296	286 (96.6%)	312	197 (63.1%)
Consolidated Gaming Funds financial reports	10 weeks	484	462 (95.5%)	448	307 (68.5%)
		6,580	6,359 (96.7%)	6,555	5,629 (85.9%)

Gaming

PERFORMANCE MEASURE Percentage of Albertans surveyed who are satisfied that the charitable gaming activity they participated in was provided fairly and in a responsible manner.

It is important that charitable gaming activities are conducted with integrity. This performance measure addresses integrity by determining how many Albertans are satisfied with the fairness and level of responsibility with which charitable gaming activities were provided.

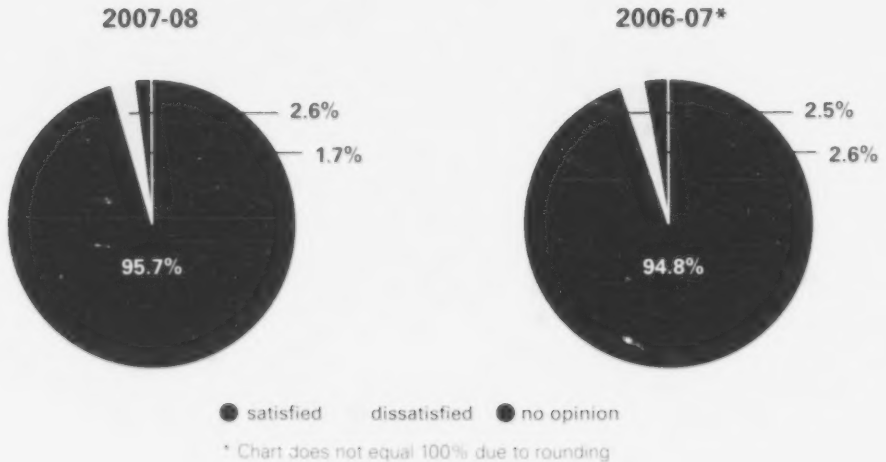
Public satisfaction was measured through an independently administered survey of a representative sample of Albertans. To ensure a random and representative sample, participants were drawn from the most recent residential phone listings. The latest Statistics Canada population estimates were used to ensure results were proportionate to the population. There is a 95 per cent certainty that the results are accurate to ±3.1 per cent.

95.7 per cent of respondents were 'very satisfied', 'satisfied', or 'somewhat satisfied' that the charitable gaming activity they participated in was provided both fairly and responsibly. This result meets the target of 95 per cent and represents a small increase over last year's result.

Albertans satisfied that the charitable gaming activity they participated in was provided fairly and in a responsible manner.

	2007-08 Target	2007-08 Result	2006-07 Target	2006-07 Result	2005-06 Result	2004-05 Result	2003-04 Result
Percentage of Albertans surveyed who are satisfied that the charitable gaming activity they participated in was provided fairly and in a responsible manner.	95.0%	95.7%	95.0%	94.8%	93.9%	94.8%	Comparative not available

Source: 2007-08 Survey of Albertans – Leger Marketing



* Chart does not equal 100% due to rounding

GOAL FOUR

Charitable gaming licensing activities are effective, efficient and economical.

PERFORMANCE MEASURE

Percentage of charitable gaming licences and registrations completed within established timeframes.

Under the Criminal Code and the *Gaming and Liquor Act*, charitable and religious groups must apply for and receive licences to hold casino events, bingos, raffles, and pull-ticket sales. In 2007-08, the AGLC issued 4,939 licences for charitable gaming activities.

All gaming workers who are paid to help licensees in either operating a facility or conducting gaming activities must be registered by the AGLC. In 2007-08, there were 7,257 gaming worker registrations.

The AGLC strives to process charitable gaming licences and registrations in a timely manner to meet the expectations of the thousands of charitable and religious groups it serves on an ongoing basis.

The timeframe for processing gaming licences and registrations is measured in days calculated from the date a complete application is received by the AGLC to the date the required licence or registration is issued. Different types of applications require different levels of approval and some applications may take longer than others to process, therefore different target response times apply. The AGLC's performance with regard to application processing is expressed as the percentage of applications processed within established timeframes.

During 2007-08, 99.7 per cent of the 12,196 applications for gaming licences and registrations were processed within the targeted timeframes. This compares to 99.4 per cent for 11,959 applications the previous year. Changes to the business process for managing these applications have helped ensure a high success rate. An Eligibility Unit first determines if an application meets eligibility requirements, and then forwards the application to the appropriate staff, enhancing efficiency.

Majority of charitable gaming licences and registrations produced within established timeframes

	2007-08 Target	2007-08 Result	2006-07 Target	2006-07 Result	2005-06 Result	2004-05 Result	2003-04 Result
Percentage of charitable gaming licences and registrations completed within established timeframes.	98.0%	99.7%	98.0%	99.4%	98.9%	98.9%	98.6%

Source: Gaming Licensing System and Gaming Registration System

Category	Target Response Time	2007-08 Totals Processed	2007-08 Processed within Target Timeframe	2006-07 Totals Processed	2006-07 Processed within Target Timeframe
Bingo Licences	12 weeks	1,027	99.9%	1,265	99.8%
Casino Licences	12 weeks	3,424	99.0%	3,259	98.1%
Pull Ticket Licences	4 weeks	198	98.0%	295	96.9%
Raffle Licences	8 weeks	290	100%	296	100%
Gaming Worker Registrations	6 weeks	7,257	100%	6,844	100%
		12,196	99.7%	11,959	99.4%

Gaming

PERFORMANCE MEASURE Percentage of charitable gaming licensees who are satisfied with the level of service provided by the AGLC.

Client satisfaction was measured by an independently administered survey of a randomly selected representative sample of charitable gaming licensees. The sample included 318 of 1,830 bingo licensees, 346 of 3,334 casino licensees, 217 of 499 pull-ticket licensees and 122 of 290 raffle licensees. The survey method ensured that charitable groups holding more than one type of gaming licence were surveyed only once. The results were weighted to reflect the relative size of each subgroup within the overall population of charitable gaming licences. There is a 95 per cent certainty that the results are accurate within ±2.8 per cent.

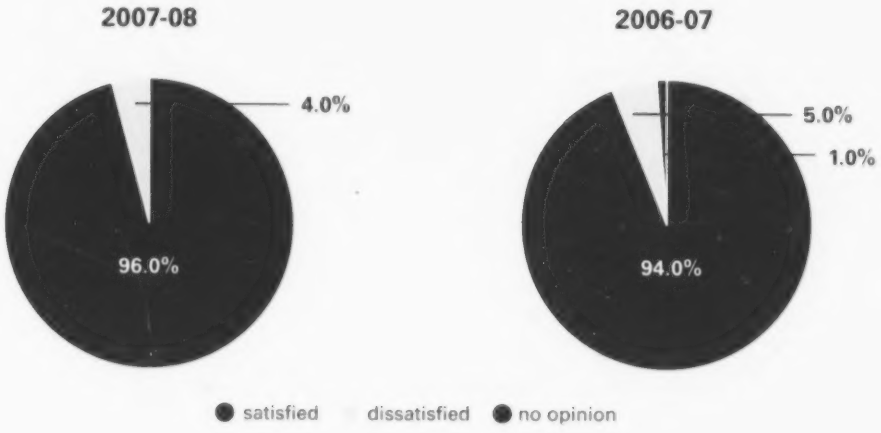
The AGLC endeavours to provide charitable gaming licensees with exceptional customer service which is evidenced by the high level of satisfaction of charitable gaming licensees.

Clients were asked to rate their satisfaction with AGLC services in the previous 12 months. Overall, 96 per cent of respondents indicated that they were satisfied with AGLC service, exceeding the target of 95 per cent, and improving upon last year's result of 94 per cent. This consistently high level of satisfaction demonstrates the responsiveness of the AGLC, notwithstanding the thousands of clients it serves on an ongoing basis.

Charitable gaming licensees satisfied with the service provided by the AGLC

	2007-08 Target	2007-08 Result	2006-07 Target	2006-07 Result	2005-06 Result	2004-05 Result	2003-04 Result
Percentage of charitable gaming licensees who are satisfied with the level of service provided by the AGLC[a].	95.0%	96.0%	95.0%	94.0%	95.0%	96.0%	97.0%

Source: 2007-08 Survey of Charitable Gaming Licensees – Leger Marketing



GOAL FIVE

The availability and delivery of provincial gaming products and activities are balanced with consumer demand, social responsibility, and economic benefit to Albertans.

PERFORMANCE MEASURE

Percentage of Albertans satisfied with the availability of gaming products and activities.

Albertans have indicated that growth in the gaming industry is acceptable as long as growth is carefully managed and controlled.

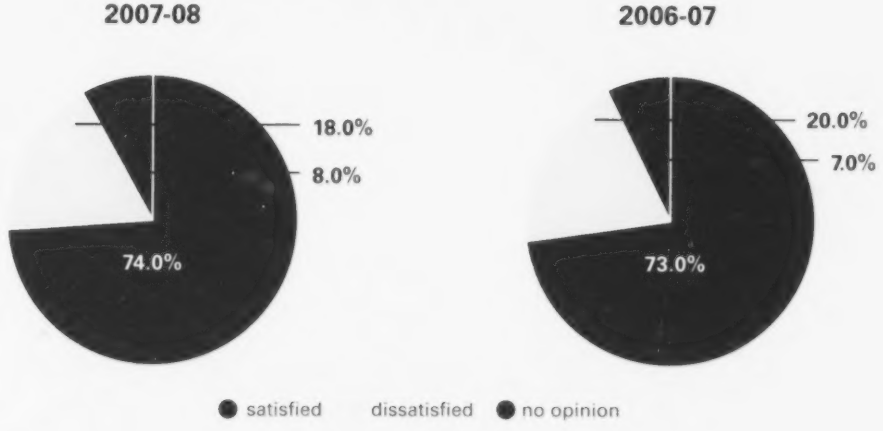
Public satisfaction was measured through an independently administered survey of a representative sample of 1,000 Albertans. To ensure a random and representative sample, participants were drawn from the most recent residential phone listings. The latest Statistics Canada population estimates were used to ensure results were proportionate to the population. There is a 95 per cent certainty that the results are accurate to ±3.1 per cent.

Seventy-four per cent of respondents were 'very satisfied', 'satisfied' or 'somewhat satisfied' with the availability of gaming products and activities. This exceeds the target of 70 per cent and last year's result.

Albertans satisfied with availability of gaming products and activities

	2007-08 Target	2007-08 Result	2006-07 Target	2006-07 Result	2005-06 Result	2004-05 Result	2003-04 Result
Percentage of Albertans satisfied with the availability of gaming products and activities.	70.0%	74.0%	70.0%	73.0%	70.0%	72.0%	Not measured

Source: 2007-08 Survey of Albertans – Leger Marketing



Gaming

PERFORMANCE MEASURE Percentage of Albertans surveyed who are satisfied that the provincial gaming activity they participated in was provided fairly and in a responsible manner.

It is important that activities related to ticket lotteries, slots, VLTs and electronic bingo are conducted with integrity. This measure addresses integrity by determining how many Albertans are satisfied with the fairness and level of responsibility that these gaming activities were conducted with.

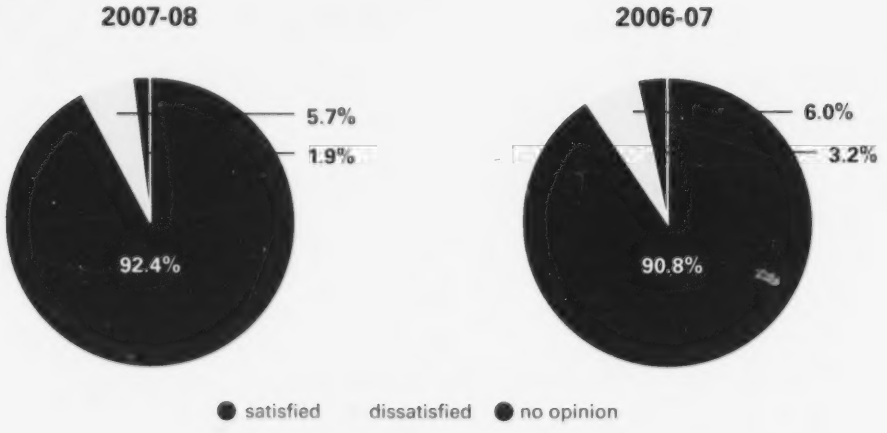
Public satisfaction was measured through an independently administered survey of a representative sample of Albertans. To ensure a random and representative sample, participants were drawn from the most recent residential phone listings. The latest Statistics Canada population estimates were used to ensure results were proportionate to the population. There is a 95 per cent certainty that the results are accurate to ±3.1 per cent.

92.4 per cent of respondents were 'very satisfied', 'satisfied', or 'somewhat satisfied' that the provincial gaming activity they participated in was provided both fairly and responsibly. This result is significantly higher than last year's result and exceeds the target of 85.0 per cent.

High satisfaction with provincial gaming activity

	2007-08 Target	2007-08 Result	2006-07 Target	2006-07 Result	2005-06 Result	2004-05 Result	2003-04 Result
Percentage of Albertans surveyed who are satisfied that the provincial gaming activity they participated in was provided fairly and in a responsible manner.	85.0%	92.4%	85.0%	90.8%	90.0%	89.6%	Comparative not available

Source: 2007-08 Survey of Albertans – Leger Marketing



GOAL SIX

Gaming operations are effective, efficient, economical and conducted with integrity.

PERFORMANCE MEASURE

Percentage of retailers satisfied with AGLC services related to VLTs, slot machines and ticket lotteries.*

The AGLC endeavours to provide its retailers with exceptional customer service which is evidenced by the high level of satisfaction of its retailers.

2003 Premier's Award of Excellence

To determine this performance measure, the AGLC's retailers' hotline and field repair services for gaming equipment are evaluated. In 2007-08, AGLC staff fielded approximately 118,000 calls to the retailers' Hotline, and almost 129,000 service calls were made to casinos, Racing Entertainment Centres (RECs), VLT premises and lottery ticket centres across the province, including electronic bingo and Keno. The technicians' work included activities such as installing, removing, maintaining and upgrading machines and peripherals.

Retailer satisfaction with these services was measured through an independently administered telephone survey of a sample that included 282 of 1,048 VLT operators, 330 of 2,334 lottery ticket retailers, 16 of 22 casino/slot machine operators, 13 of 26 electronic bingo operators, and 33 of 49 Keno operators. The results were weighted to reflect the relative size of each of the subgroups within the overall population of provincial gaming retailers. There is a 95 per cent certainty that the results are accurate within ±3.4 per cent.

Respondents were asked to rate their satisfaction with AGLC services received in the past 12 months. Almost all respondents (99.0 per cent) were satisfied with the overall service they received, compared to 98 per cent the previous year. This continuing high level of satisfaction demonstrates the success of the AGLC's efforts to provide excellent customer service. In addition to surveying clients every year, the AGLC regularly incorporates changes to its business processes and practices to ensure it remains responsive to clients' needs.

Majority of Retailers satisfied with AGLC services related to VLTs, slot machines and ticket lotteries

	2007-08 Target	2007-08 Result	2006-07 Target	2006-07 Result	2005-06 Result	2004-05 Result	2003-04 Result
Percentage of retailers satisfied with AGLC services related to VLTs, slot machines and ticket lotteries*	95.0%	99.0%	95.0%	98.0%	99.0%	97.0%	98.0%

Source: 2007-08 Survey of Retailers – Leger Marketing

* Includes electronic bingo and Keno retailers

Gaming

PERFORMANCE MEASURE Percentage of gaming integrity issues resolved within established timeframes.

A key mandate of the AGLC is to maintain the integrity of gaming in Alberta. Gaming issues typically involve:

- Disputes about the operation of an electronic gaming device;
- Credit disputes involving players or retailers; and
- Perceived illegal or unethical behaviour by gaming retailers or players.

AGLC inspectors resolve the majority of these gaming issues. Issues that cannot be resolved are forwarded to the AGLC Response Team. The Response Team's goal is to resolve issues through fair and impartial review within 30 days. The team reviewed 136 issues in 2007-08, compared to 174 the previous year. Most (92.7 per cent) were resolved within 30 days.

Gaming Issues resolved within 30 days

	2007-08 Target	2007-08 Result	2006-07 Target	2006-07 Result	2005-06 Result	2004-05 Result	2003-04 Result
Percentage of gaming integrity issues resolved within established timeframes.	93.0%	92.7%	93.0%	93.1%	90.0%	95.4%	96.2%

Source: AGLC Gaming Products and Services Database

The result for 2007-08 is slightly lower (0.4%) than the result achieved last year. This consistently high result is attributed to a sub-committee which reviews files between regular meetings of the AGLC Response Team. The sub-committee reviews and identifies reoccurring issues for the Response Team, improving its efficiency.

Did You Know?

21 employees staff the AGLC's hotline in Stettler 20 hours a day, 364 days a year, where gaming retailers can receive information or assistance if they have trouble with their equipment or report a gaming irregularity. The AGLC's hotline also answers the Consumer Gaming Irregularities telephone number (1-800-742-7818) and provides the first point of contact for concerns about gaming irregularities.

Alberta Gaming and Liquor Commission
Financial Statements

2007-08

AUDITOR'S REPORT

AUDITOR GENERAL Alberta

To the Members of the
Alberta Gaming and Liquor Commission

I have audited the balance sheet of the Alberta Gaming and Liquor Commission as at March 31, 2008 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn
FCA
Auditor General

Edmonton, Alberta
May 9, 2008

BALANCE SHEET
AT MARCH 31

(thousands of dollars)	2008	2007
ASSETS		
Current Assets		
Cash (Note 3)	$ 242,185	$ 237,380
Accounts receivable	42,579	43,296
Prepaid expenses and inventories (Note 4)	10,896	11,298
	295,660	291,974
Property, Plant and Equipment (Note 5)	238,497	203,547
	$ 534,157	$ 495,521
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 152,833	$ 139,402
Due to the Alberta Lottery Fund (Note 7)	81,023	77,795
	233,856	217,197
Due to General Revenues (Note 8)	297,271	275,031
Provision for Loss on Leased Properties (Note 13)	3,030	3,293
	$ 534,157	$ 495,521

The accompanying notes are part of these financial statements.

Approved by

BOARD

Original signed by

Alexander (Sandy) Dougall for
Marguerite J. Trussler
Chairperson of the Board

MANAGEMENT

Original signed by

Gerry McLennan
Chief Executive Officer

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31

(thousands of dollars)	Budget 2008	Actual 2008			Actual 2007
	(Note 9)	Provincial Lotteries	Liquor and Other	Total	
REVENUE					
Gaming terminals	$	$ 15,129,177	$ -	$ 15,129,177	$ 12,618,563
Video lottery terminals		10,553,986	-	10,553,986	11,074,490
Liquor		-	1,966,348	1,966,348	1,856,939
Ticket lottery		604,193	-	604,193	578,252
Electronic bingo		42,019	-	42,019	36,582
		26,329,375	1,966,348	28,295,723	26,164,826
PRIZES AND COST OF PRODUCT					
Gaming terminals		13,927,249	-	13,927,249	11,620,738
Video lottery terminals		9,716,012	-	9,716,012	10,198,209
Liquor		-	1,286,096	1,286,096	1,195,318
Ticket lottery		320,722	-	320,722	300,509
Electronic bingo		29,105	-	29,105	24,510
		23,993,088	1,286,096	25,279,184	23,339,284
Gross Profit	2,815,943	2,336,287	680,252	3,016,539	2,825,542
Commissions and Federal Payments (Note 10)	(507,219)	(552,931)	-	(552,931)	(494,356)
Other Income (Note 11)	12,359	-	19,601	19,601	17,949
Operating Expenses (Note 12)	(230,313)	(168,100)	(21,613)	(189,713)	(157,030)
Net Operating Results	$ 2,090,770	$ 1,615,256	$ 678,240	$ 2,293,496	$ 2,192,105

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31

(thousands of dollars)	2008	2007
CASH FROM OPERATIONS		
Net operating results for the year	$ 2,293,496	$ 2,192,105
Decrease in provision for loss on leased properties	(263)	(361)
Amortization	54,230	43,110
Loss (gain) on disposal of property, plant and equipment	348	(663)
Net change in non-cash working capital balances	14,550	42,204
	2,362,361	2,276,395
Remittances to the Alberta Lottery Fund	(1,612,028)	(1,517,755)
Remittances to General Revenues	(656,000)	(584,000)
	94,333	174,640
CASH USED FOR INVESTMENT		
Purchase of property, plant and equipment	(89,733)	(76,544)
Proceeds on disposal of property, plant and equipment	205	938
	(89,528)	(75,606)
INCREASE IN CASH	4,805	99,034
CASH, beginning of year	237,380	138,346
CASH, end of year	$ 242,185	$ 237,380

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Gaming and Liquor Commission (the Commission) operates under the authority of the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000.

The Commission conducts and manages provincial lotteries, carries out functions respecting gaming under the *Criminal Code* (Canada), and controls, in accordance with legislation, the manufacture, importation, sale and purchase of liquor for the Government of Alberta. It also administers the Alberta Lottery Fund.

Amendments to the *Gaming and Liquor Act*, proclaimed June 24, 2002, allow the Commission to deduct operating expenses from the remittances to the Alberta Lottery Fund and General Revenues. The net proceeds, after the deduction of related operating expenses, arising from the conduct of authorized gaming terminal, video lottery, ticket lottery and electronic bingo in Alberta are remittable to the Alberta Lottery Fund. The net proceeds, after the deduction of related operating expenses, of liquor operations and other income are remittable to General Revenues.

Under the *Excise Tax Act* and Games of Chance (GST/HST) Regulations, the Commission is required to pay GST and Federal Tax on gaming operations. However, the Commission as a Crown agent of the Government of Alberta, has a tax-exempt status for its liquor and regulatory operations.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles applied on a consistent basis. The preparation of financial statements for a period necessarily involves the use of estimates. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Joint Venture

Alberta's share of the operations of the Western Canada Lottery Corporation (WCLC) is accounted for as a joint venture using the proportionate consolidation method. WCLC is a non-profit organization authorized to manage, conduct and operate ticket lottery activities for its members, the governments of Alberta, Saskatchewan and Manitoba. The Yukon Territory, the Northwest Territories and Nunavut participate as associate members. Under the proportionate consolidation method, each participant records their share of WCLC revenues, expenses, assets and liabilities.

Inventories

Gaming parts and supplies inventories are valued at weighted average cost which is not in excess of net replacement value.

Liquor inventory held on behalf of liquor suppliers or agents, and related duties and taxes, are not recorded in the financial statements.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values, because of the short term nature of these instruments.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is calculated on the straight-line method which will reduce the original cost to estimated residual value over the expected useful lives of the assets, as follows:

Buildings and leasehold improvements	40 years or lease term
Gaming systems and equipment	10 years or 3 years
Video lottery and gaming terminals	7 years
Furniture and equipment	10 years or 5 years
Retailer fixtures and signage	5 years
Computer software	3 years
Vehicles	5 years or 3 years

Property, plant and equipment are not amortized until the assets are put into use.

Pensions

The Commission participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service related to prior years.

Defined contribution plan accounting is used because insufficient information is available to apply defined benefit plan accounting.

Revenue and Expense Recognition

Revenue from gaming terminals, video lottery terminals and electronic bingo is recognized at the time that play has been completed and all machine credits have been played or converted to cash. Prizes, commissions and federal payments related to gaming terminals, video lottery terminals and electronic bingo are recognized on the same basis as the related revenues.

On-line ticket lottery revenues are recognized at the date of the draw with instant ticket revenues being recognized at the date activated for sale by the retailer. Prizes, commissions and federal payments relating to ticket revenues are recognized on the same basis as the related revenues.

Revenue from the sale of liquor is recognized when goods are shipped and title has passed to the customer. Revenue received in advance of shipment is deferred and recognized when goods are shipped and title has passed to the customer. Cost of product sold related to liquor is recognized on the same basis as the related revenues.

Allocation of Operating Expenses

Operating expenses are allocated against Provincial Lotteries Revenue or Liquor and Other Revenue, based on the nature of the expense.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 3 CASH

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2008, securities held by the Fund have an average effective market yield of 4.81% per annum (March 31, 2007: 4.36% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTE 4 PREPAID EXPENSES AND INVENTORIES

(thousands of dollars)	2008	2007
Prepaid expenses	$ 3,165	$ 4,803
Gaming parts	7,209	5,770
Supplies	522	725
	$ 10,896	$ 11,298

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

	2008			2007
(thousands of dollars)	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Land	$ 4,113	$ -	$ 4,113	$ 4,113
Buildings and leasehold improvements	54,779	42,248	12,531	11,847
Gaming systems and equipment	74,271	46,834	27,437	12,596
Gaming terminals	244,895	89,933	154,962	121,621
Video lottery terminals	81,302	52,231	29,071	40,593
Furniture and equipment	38,895	37,023	1,872	4,828
Retailer fixtures and signage	9,101	7,882	1,219	1,245
Computer software	26,012	19,562	6,450	6,376
Vehicles	3,556	2,714	842	328
	$ 536,924	$ 298,427	$ 238,497	$ 203,547

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 6 DEFINED BENEFIT PLANS
(thousands of dollars)

The Commission participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Commission also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $3,343 for the year ended March 31, 2008 (2007 - $2,813). The Commission's portion of the Western Canada Lottery Corporation pension expense is $725 for the year ended March 31, 2008 (2007 - $616).

At December 31, 2007, the Management Employees Pension Plan reported a deficiency of $84,341 (2006 – deficiency of $6,765) and the Public Service Pension Plan reported a deficiency of $92,070 (2006 – surplus of $153,024). At December 31, 2007, the Supplementary Retirement Plan for Public Service Managers had a surplus of $1,510 (2006 – surplus of $3,698). The Commission's portion of the Western Canada Lottery Corporation deficiency as at March 31, 2008 is $1,266 (2007 – deficiency of $2,514).

NOTE 7 DUE TO THE ALBERTA LOTTERY FUND

This amount represents the portion of the revenues from provincial lottery operations which has not been remitted to the Alberta Lottery Fund.

(thousands of dollars)	2008	2007
Due to the Alberta Lottery Fund, beginning of year	$ 77,795	$ 61,716
Net operating results, Provincial Lotteries	1,615,256	1,533,834
Remittances to the Alberta Lottery Fund	(1,612,028)	(1,517,755)
Due to the Alberta Lottery Fund, end of year	$ 81,023	$ 77,795

Amounts due to the Alberta Lottery Fund are unsecured, non-interest bearing and have no specific terms of repayment.

NOTE 8 DUE TO GENERAL REVENUES

Due to General Revenues reflects the outstanding balance due to General Revenues from liquor operations and other income, as follows:

(thousands of dollars)	2008	2007
Due to General Revenues, beginning of year	$ 275,031	$ 200,760
Net operating results, Liquor and Other	678,240	658,271
Remittances to General Revenues	(656,000)	(584,000)
Due to General Revenues, end of year	$ 297,271	$ 275,031

Amounts due to General Revenues are unsecured, non-interest bearing and have no specific terms of repayment.

NOTE 9 BUDGET

The Commission includes its annual budget, on a summarized basis, in its business plan. The summarized budget receives approval by the Minister responsible for the Commission on recommendation from the Commission Board and becomes part of the fiscal plan of the Government.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 10 COMMISSIONS AND FEDERAL PAYMENTS

(thousands of dollars)	2008	2007
Commissions:		
Gaming terminals:		
- Operators	$ 177,550	$ 147,672
- Charities	169,379	139,257
Video lottery terminals	125,595	131,390
Ticket lottery	41,689	39,837
Electronic bingo	3,874	3,621
	518,087	461,777
Federal Tax Expenses (a)		
Gaming terminals	14,394	11,698
Video lottery terminals	9,608	9,825
Ticket lottery	3,735	3,908
Electronic bingo	255	464
	27,992	25,895
Payment to Federal Government (b)	6,852	6,684
	$ 552,931	$ 494,356

(a) As prescribed by the Games of Chance (GST/HST) Regulations, taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on gaming terminal, video lottery, ticket lottery and electronic bingo sales based on a prescribed formula. This tax is in addition to the GST paid on the purchase of goods and services for which credit is denied under the formula.

(b) This payment represents the Province of Alberta's share of payments to the Government of Canada as a result of an agreement between the provincial governments and the federal government on the withdrawal of the federal government from the lottery field. The payment is made by the Western Canada Lottery Corporation on behalf of Alberta, and is based on current population statistics and its share of ticket lottery sales.

NOTE 11 OTHER INCOME

(thousands of dollars)	2008	2007
Interest revenue	$ 9,783	$ 7,506
Licences	5,972	5,635
Miscellaneous	1,442	1,686
Liquor levies	1,207	904
Premises rental revenue	782	778
Retailer service fees	619	600
Fines and violations	144	177
Gain (loss) on disposal of property, plant and equipment	(348)	663
	$ 19,601	$ 17,949

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 12 OPERATING EXPENSES

(thousands of dollars)	2008	2007
Salaries and benefits	$ 55,159	$ 46,512
Amortization	54,230	43,110
Leased gaming terminals	22,962	17,469
Data communications	11,991	10,611
Media and media production	8,113	7,537
Ticket printing	7,649	7,379
Equipment and vehicles	7,279	7,089
Fees and services	5,966	4,126
Travel and training	3,341	2,921
Data processing	2,763	1,480
Property	2,345	2,529
Stationery and supplies	1,785	1,346
Retailer relations	1,754	1,231
Freight and product delivery	1,649	1,190
Insurance and bank charges	1,273	974
Miscellaneous	1,172	1,267
Presentations and publications	189	167
Product expense	99	98
Overhead and other	(6)	(6)
	$ 189,713	$ 157,030

NOTE 13 COMMITMENTS

The Commission has a number of lease obligations, including regional offices, gaming warehouses and former retail liquor stores that operate under lease arrangements with terms ranging from 1 to 24 years. Most of these former properties have been subleased to third parties. The Commission remains liable for the leases should the sublessor default on their obligations to the Commission. The Commission's future minimum lease payments, including its proportionate share of the Western Canada Lottery Corporation commitments, is summarized as follows:

(thousands of dollars)	
Fiscal 2008-09	$ 2,389
2009-10	2,028
2010-11	1,786
2011-12	1,712
2012-13	1,298
Balance to expiry	1,589
	$ 10,802

Estimated future revenues to be derived from subleases amount to $4.82 million at March 31, 2008. Provision for loss on leased properties of $3.03 million (2007 - $3.293 million) has been made where the payments to be received on the sub-leases are less than the lease payments to be made.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 14 CONTINGENCIES

At March 31, 2008, the Commission is a defendant in 9 legal claims (2007 – 10 legal claims) having specified amounts totalling $139 million (2007 – $143 million). Included in the total claims are 7 claims in which the Commission has been jointly named with other entities.

The Commission entered into a lease amending agreement with a tenant on March 23, 2007. Under the terms of the agreement, the Commission has agreed to pay for certain capital investments up to $6.4 million and would also assume certain third party premise leases for the remainder of the lease term, if a significant change in the terms of the tenant's appointment occurs before February 28, 2012.

The resulting loss, if any, from these claims cannot be determined.

NOTE 15 FUNDS UNDER ADMINISTRATION

Effective July 2, 2007, the Commission assumed management of the collection, investment and distribution of the charities' share of proceeds/losses from table games at licensed charitable casino events. Previously these activities were managed by third party trustees.

The share of proceeds/losses from these table games allocated to charities is established in policy and by agreement between the participating charity and the relevant casino operator. These allocations are collected by the Commission and pooled by casino or region over a three month period. The pooled funds earn interest and the Commission deducts administrative fees from the pools. The net proceeds in each pool at the end of the pooling period are distributed equally to each charity holding a licensed charitable casino event in the casino/region during the pooling period.

At March 31, 2008 funds under administration were $15.0 million.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 16 SALARIES AND BENEFITS

(thousands of dollars)	2008				2007
	Base Salary (a)	Other Cash Benefits (b)	Other Non-cash Benefits (c)	Total	Total
Senior Officials					
Chairperson (d) (e)	$ 192	$ 389	$ 4	$ 585	$ 302
Board Members	161	-	-	161	133
Chief Executive Officer (d) (f)	198	410	33	641	317
Executives					
Executive Director, Gaming Product and Services	164	64	40	268	207
Executive Director, Corporate Services	161	32	42	235	174
Executive Director, Information Systems	149	27	36	212	172
Executive Director, Liquor Supply and Distribution (g)	145	21	36	202	-
Executive Director, Regulatory (h)	115	34	23	172	215

(a) Base salary includes regular base pay.
(b) Other cash benefits includes bonuses, vacation payouts, payments in place of pension participation, and lump sum payments.
(c) Other non-cash benefits include the Commission's share of all employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plan, health care, dental coverage, group life insurance, short and long term disability, professional memberships, and tuition fees.
(d) Automobile provided, no dollar amount included in other non-cash benefits.
(e) The full-time Chairman retired on November 30, 2007. The Commission Board is now headed by a part time Chairperson. The Chairman received a salary, cash and non-cash benefits and an automobile as compensation. The Chairperson is remunerated based on the Committee Remuneration Order.
(f) The position was occupied by two individuals through the year.
(g) The position was created on April 1, 2007.
(h) The position was occupied by three individuals through the year.

NOTE 17 JOINT VENTURE – TICKET LOTTERY OPERATIONS

Alberta's share of the Western Canada Lottery Corporation joint venture is accounted for using the proportionate consolidation method. The Commission has included in its accounts the following aggregate amounts:

(thousands of dollars)	2008	2007
Balance Sheet		
Current assets	$ 29,764	$ 51,414
Property, plant and equipment	22,558	8,699
	$ 52,322	$ 60,113
Current liabilities	$ 27,975	$ 27,045
Equity in joint venture	24,347	33,068
	$ 52,322	$ 60,113
Statement of Operations		
Gross profit	$ 231,298	$ 227,432
Operating expenses	(31,482)	(28,409)
Net operating results	$ 199,816	$ 199,023
Statement of Cash Flows		
Cash from operations	$ 209,123	$ 199,759
Cash used for investment	$ 16,850	$ 2,149

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 18 RELATED PARTY TRANSACTIONS

The Commission has the following transactions with Government of Alberta departments for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. The amounts are not included in the financial statements.

(thousands of dollars)	2008	2007
Revenues		
Accommodation	$ 321	$ -
Forensic Audit	46	-
Information Technology	40	-
Financial Services	12	-
	$ 419	$ -

(thousands of dollars)	2008	2007
Expenses – Incurred by Others		
Legal Services	$ 301	$ 173
Internal Audit	55	70
Other Travel Costs	4	-
Accommodation	-	4
	$ 360	$ 247

The Commission also had the following transactions with Government of Alberta departments recorded on the Statement of Operations at the amount of consideration agreed upon between the related parties:

(thousands of dollars)	2008	2007
Finance - Risk Management and Insurance	$ 265	$ 240
Service Alberta	57	236
Infrastructure and Transportation	5	5
	$ 327	$ 481

NOTE 19 COMPARATIVE FIGURES

Certain 2007 figures have been reclassified to conform to the 2008 presentation.

ALBERTA
LOTTERY FUND

Alberta Lottery Fund
Financial Statements

2007-08

Financial Statements

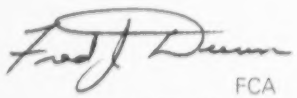
AUDITOR'S REPORT

To the Members of the Alberta Gaming and Liquor Commission

I have audited the balance sheet of the Alberta Lottery Fund as at March 31, 2008 and the statement of revenue, expenditure and fund equity for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Alberta Lottery Fund as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



FCA
Auditor General

Edmonton, Alberta
May 9, 2008

Financial Statements

BALANCE SHEET
AT MARCH 31

(thousands of dollars)	2008	2007
ASSETS		
Cash (Note 3)	$ 170,234	$ 101,250
Due from Alberta Gaming and Liquor Commission (Note 4)	81,023	77,795
	$ 251,257	$ 179,045
LIABILITIES AND FUND EQUITY		
Accounts payable (Note 5)	$ 198,482	$ 126,270
Fund equity	52,775	52,775
	$ 251,257	$ 179,045

The accompanying notes are part of these financial statements.

Approved by:

BOARD

Original signed by

Alexander (Sandy) Dougall for
Marguerite J. Trussler
Chairperson of the Board
Alberta Gaming and Liquor Commission

MANAGEMENT

Original signed by

Gerry McLernan
Chief Executive Officer
Alberta Gaming and Liquor Commission

STATEMENT OF REVENUE, EXPENDITURE AND FUND EQUITY
FOR THE YEAR ENDED MARCH 31

(thousands of dollars)	Budget 2008 (Note 19)	Actual 2008	Actual 2007
REVENUE			
Proceeds from lottery operations (Note 6)	$ 1,448,407	$ 1,615,256	$ 1,533,834
Interest	6,000	17,172	15,028
	1,454,407	1,632,428	1,548,862
EXPENDITURE			
Transfers to Departments			
Advanced Education and Technology (Note 7)	104,043	104,043	103,957
Agriculture and Food (Note 8)	22,220	22,220	22,220
Children's Services (Note 9)	55,500	55,500	49,500
Education (Note 10)	129,100	129,100	129,100
Employment, Immigration and Industry (Note 11)	12,769	12,769	12,769
Environment (Note 12)	500	500	500
Health and Wellness (Note 13)	279,497	279,497	362,803
Infrastructure and Transportation (Note 14)	175,000	175,000	175,000
International, Intergovernmental and Aboriginal Relations (Note 15)	200	200	-
Municipal Affairs and Housing (Note 16)	26,000	26,000	26,000
Solicitor General and Public Security (Note 17)	1,600	1,600	1,600
Tourism, Parks, Recreation and Culture (Note 18)	556,805	548,861	274,925
Contingency Allowance / Alberta Sustainability Fund	91,173	277,138	390,488
	1,454,407	1,632,428	1,548,862
Excess of revenue over expenditure for the year	-	-	-
Fund equity, beginning of year	52,775	52,775	52,775
Transfers to General Revenues	-	-	-
Fund equity, end of year	$ 52,775	$ 52,775	$ 52,775

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 AUTHORITY AND PURPOSE

The Lottery Fund is administered by the Alberta Gaming and Liquor Commission under the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000. The Lottery Fund receives the proceeds from lottery operations (see Note 6) and makes payments therefrom in the public interest in order to support thousands of volunteer, public and community-based initiatives.

The *Appropriation Act*, 2007 authorized payments from the Lottery Fund as presented in the 2007-2008 Estimates, and provided for flexibility in the amount allocated from the Lottery Fund to the Contingency Allowance / Alberta Sustainability Fund so that the net revenue of the Lottery Fund would be zero at the year ended March 31, 2008.

The transfer of funds to certain programs is based on gaming proceeds generated at related gaming facilities, in accordance with government policy direction. For these programs, the amount transferred may differ from the budgeted amount.

The accountability and utilization of Lottery Fund amounts transferred to entities within the Government of Alberta may be determined and confirmed by referencing the respective entity's financial statements.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Cash Flows

A statement of cash flows is not provided as disclosure in these financial statements is considered to be adequate.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable and accounts payable are estimated to approximate their carrying values because of the short term nature of these instruments.

NOTE 3 CASH

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2008, securities held by the Fund have an average effective market yield of 4.81% per annum (March 31, 2007: 4.36% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 4 DUE FROM THE ALBERTA GAMING AND LIQUOR COMMISSION

This amount represents the portion of the revenues from lottery operations which has not been remitted by the Alberta Gaming and Liquor Commission (AGLC) to the Alberta Lottery Fund at year end.

(thousands of dollars)	2008	2007
Due from AGLC, beginning of year	$ 77,795	$ 61,716
Remittable from AGLC	1,615,256	1,533,834
Remittances from AGLC	(1,612,028)	(1,517,755)
Due from AGLC, end of year	$ 81,023	$ 77,795

NOTE 5 ACCOUNTS PAYABLE

Accounts payable consists primarily of outstanding payments to the Department of Finance for the Contingency Allowance / Alberta Sustainability Fund, with the balance representing outstanding net payments to the Department of Tourism, Parks, Recreation and Culture.

NOTE 6 PROCEEDS FROM LOTTERY OPERATIONS

Proceeds of provincial lotteries received by the Alberta Gaming and Liquor Commission are recorded as revenue of the Fund after the deduction of related operating expenses.

(thousands of dollars)	2008	2007
Income from gaming terminals	$ 840,605	$ 699,196
Income from video lottery terminals	702,771	735,066
Income from ticket lottery	231,195	227,314
Income from electronic bingo	8,785	7,987
Less operating expenses	(168,100)	(135,731)
Proceeds from lottery operations	$ 1,615,256	$ 1,533,834

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 7 ADVANCED EDUCATION AND TECHNOLOGY

Transfers to support post-secondary education, scientific initiatives and communication initiatives.

(thousands of dollars)	2008	2007
Research Capacity	$ 28,400	$ 21,914
Post-Secondary Facilities Infrastructure	16,000	16,000
Community Education	15,600	15,600
Energy Research	15,200	19,200
Life Sciences Research	11,985	14,405
Information and Communication Technology Research	11,458	11,438
Achievement Scholarships	3,100	3,100
Other Program Support - Learning Television	2,300	2,300
	$ 104,043	$ 103,957

NOTE 8 AGRICULTURE AND FOOD

Transfers to enhance improvement in agriculture, horticulture, and the quality of life in the agricultural community.

(thousands of dollars)	2008	2007
Agricultural Service Boards	$ 10,600	$ 10,600
Agricultural Societies	8,670	8,670
Agricultural Initiatives	2,950	2,950
	$ 22,220	$ 22,220

NOTE 9 CHILDREN'S SERVICES

Transfers to support the family and community in Alberta.

(thousands of dollars)	2008	2007
Family and Community Support Services	$ 45,000	$ 45,000
Prevention of Family Violence and Bullying	6,500	4,500
Fetal Alcohol Spectrum Disorder Initiatives	4,000	
	$ 55,500	$ 49,500

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 10 EDUCATION

Transfers to support primary education:

(thousands of dollars)	2008	2007
Public and Separate School Support	$ 60,800	$ 60,800
School Facilities Infrastructure	60,300	58,000
Basic Education Program Initiative - High Speed Network	8,000	8,000
Basic Education Program Initiative - Learning Television	-	2,300
	$ 129,100	$ 129,100

NOTE 11 EMPLOYMENT, IMMIGRATION AND INDUSTRY

Transfers to assist in job creation and to support the disabled, summer students, and immigrants in their search for employment:

(thousands of dollars)	2008	2007
Summer Temporary Employment Program	$ 8,195	$ 8,195
Settlement Services and Enhanced Language Training	4,574	4,574
	$ 12,769	$ 12,769

NOTE 12 ENVIRONMENT

Transfers to support environmental awareness:

(thousands of dollars)	2008	2007
Educational Awareness	$ 500	$ 500

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 13 HEALTH AND WELLNESS

Transfers made in support of health and wellness initiatives, including to the Alberta Alcohol and Drug Abuse Commission:

(thousands of dollars)	2008	2007
Human Tissue and Blood Services	$ 115,000	$ 110,000
Base Operating Funds for Alberta Alcohol and Drug Abuse Commission	84,497	82,603
Health Facilities Infrastructure	50,000	150,000
Community-based Health Services	30,000	20,000
	$ 279,497	$ 362,603

NOTE 14 INFRASTRUCTURE AND TRANSPORTATION

Transfers to enhance transportation and water infrastructure:

(thousands of dollars)	2008	2007
Provincial Highway Rehabilitation	$ 55,000	$ 55,000
Rural Transportation Partnerships	40,000	40,000
Alberta Cities Transportation Partnerships	30,000	25,000
Streets Improvement Program	25,000	25,000
Water for Life	25,000	25,000
Infrastructure Canada-Alberta Program	-	5,000
	$ 175,000	$ 175,000

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 15 INTERNATIONAL, INTERGOVERNMENTAL AND ABORIGINAL RELATIONS

Transfers to support for aboriginal initiatives:

(thousands of dollars)	2008	2007
Aboriginal Initiatives	$ 200	$ -

NOTE 16 MUNICIPAL AFFAIRS AND HOUSING

Transfers to enhance support for municipal initiatives:

(thousands of dollars)	2008	2007
Unconditional Municipal Grants	$ 14,000	$ 14,000
Municipal Sponsorship	12,000	12,000
	$ 26,000	$ 26,000

NOTE 17 SOLICITOR GENERAL AND PUBLIC SECURITY

Transfers made to support gaming research:

(thousands of dollars)	2008	2007
Gaming Research	$ 1,600	$ 1,600

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 18 TOURISM, PARKS, RECREATION AND CULTURE

Transfers to support culture, multiculturalism, sports, recreation, municipal and community initiatives, and the volunteer sector:

(thousands of dollars)	2008	2007
Major Community Facilities Program	$ 140,000	$ -
Recreation and Sports Facilities Grants	90,000	-
First Nations Development Fund	55,921	14,220
Major Fairs and Exhibitions	53,360	23,360
Community Facility Enhancement Program	38,500	38,500
Horse Racing and Breeding Renewal Program	35,709	41,767
Community Initiatives Program	30,000	30,000
Assistance to the Alberta Foundation for the Arts	26,634	22,084
Assistance to the Alberta Sport, Recreation, Parks and Wildlife Foundation	23,470	20,470
Alberta Film Development Program	18,285	14,850
Other Initiatives	11,088	11,088
Bingo Associations	6,426	5,718
Assistance to the Alberta Historical Resources Foundation	8,587	7,787
Assistance to the Wild Rose Foundation	8,516	8,116
Assistance to the Human Rights, Citizenship and Multiculturalism Education Fund	1,865	1,465
Hosting Major Athletic Events	500	500
Alberta 2005 Centennial Initiative	-	35,000
	$ 548,861	$ 274,925

NOTE 19 BUDGET

The 2008 budgeted expenditures were authorized in total by the *Appropriation Act*, 2007 on June 19, 2007.

NOTE 20 COMPARATIVE FIGURES

Certain 2007 figures have been reclassified to conform to the 2008 presentation.

Contact Information

For additional copies of this annual report, check the AGLC's website at **www.aglc.gov.ab.ca** or contact:

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This and other related reports may be viewed on the AGLC website at **www.aglc.gov.ab.ca**.

If gambling is a concern for you or someone you know, call the 24-hour AADAC toll-free Help-Line, 1-866-332-2322, for confidential information and support.

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